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FINANCIAL TIMES

No. 27,638 Wednesday August 16 1978 ** 15p

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NEWS SUMMARY

GENERAL

Phones back to normal soon

Post Office engineers have been ordered by their union to suspend their most disruptive sanctions from this morning. The instruction follows a provisional agreement on ending the dispute.

International telephone services are likely to return to normal within a few days but the union will continue to refuse to commission new exchanges. The work-to-rule, local overtime bans and refusal to but some branches may not obey union instructions immediately.

The agreement, which would reduce the engineers' working week from 40 to 37½ hours, will be put to a special delegate conference of the Post Office Engineering Union within a month. The Post Office is insisting that all sanctions must be lifted by September 12. Back Page

Dissident exiled

Soviet dissident Alexander Podrabinek, who compiled a dossier alleging that political critics of the state were subjected to enforced psychiatric treatment, has been sentenced to five years in exile. Page 2

£750,000 raid

An ambush gang got away with £750,000 in 35 sacks after a four-minute raid on a security van in Banstead, Surrey. However, the gang of eight to 10 men missed four bags containing another £100,000.

Strikers killed

Four black miners were killed and five wounded when Rhodesian police opened fire on a crowd of 3,000 strikers at the Mangula copper mine.

Activists attacked

The homes of Dr. C. F. Beyers Naude and Mrs. Helen Joseph, nent opponents of apartheid, were the targets of petrol bombs and shotgun blasts. They are both under banning orders.

Snoozer ban

Vauxhall Motors of Luton is to defy an industrial tribunal ruling that it should re-employ Mr. Mohammed Ayub, who was caught napping on a makeshift bed during a night shift.

Baby swap

Two Israeli mothers swapped babies yesterday to correct an identity mix-up in the Haifa hospital where the children were born two months ago. Both mothers insisted that they had been given the wrong baby and the swap was arranged after tissue tests proved them right.

Briefly . .

London tube workers are to hold one-day token stoppages every Thursday from September 7 until their dispute over rest day working and overtime is resolved.

Troops guarded Memphis, Tennessee, yesterday, and tried to cope with fans mourning Elvis Presley's death, as firemen joined a police walkout.

Rita Nightingale, who is serving a 20-year jail term in Thailand for smuggling drugs, has denied that she plans to stand for Parliament in Britian's next election.

Long-range weather forecast to mid-September predicts cool and changeable spells followed by more settled weather. Back Page

Henry Higgins, the first Englishman to become a matador, was killed in a hang-gliding accident at Mojacar, Spain.

A Spanish priest who was expelled from the Roman Catholic church for belonging to an unauthorised order yesterday declared himself Pope Gregorius XVII.

Welsh Youth Rugby Union is to introduce minimum suspensions of six weeks for kicking and punching and eight weeks for bad language and abusing referees.

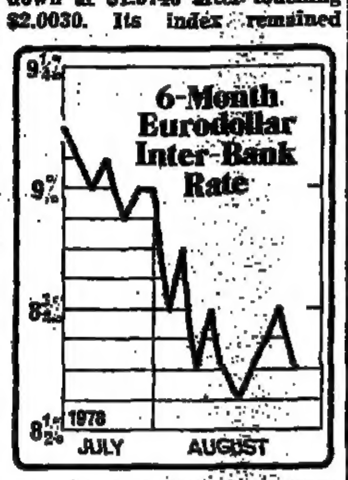
BUSINESS

Equities fall 2.3; Gilts mixed

● EQUITIES lost a little ground as institutional buyers appeared to hold off, and the FT ordinary index closed 2.3 down at 511.2. Recent rises in the Gold Mines index were halted by the fall in the bullion price, and the index closed 5.6 down at 201.0.

● GILTS closed mixed, with shorts a shade lower but longs gaining ⅛. The Government Securities index closed 0.06 up at 71.15.

● STERLING closed 70 points down at $1.9740 after touching $2.0030. Its index remained unchanged at 62.7. The dollar's trade-weighted depreciation improved slightly to 10.7 per cent (10.8).



● GOLD fell $1¼ to $213¾ in London and in New York the Comex August settlement price was $212.60 ($214.70).

● WALL STREET closed 1.04 down at 887.13, in the wake of the dollar's slide.

● COFFEE prices on the London futures market fell sharply by £52 to £1,292 a tonne, in spite of reports of Brazilian frosts. Page 28

● JAPAN'S wholesale price index fell by 1 per cent in July—the largest margin in 20 years—due mainly to the rise of the yen against other currencies. Page 3

● OCCIDENTAL PETROLEUM has signed a preliminary agreement with Morocco for development of shale oil extraction, onshore and offshore oil and gas exploration and the manufacture of phosphoric acid. Back Page

● WESTERN MINING of Australia plans to take Esso Exploration and Production Australia and a West German mining group as partners for the £190m development of a Western Australian uranium mine. Page 17

State aid defended

● ULSTER industrial affairs Minister has defended the Government's decision to inject £45m of aid into the De Lorean sports car plant in Belfast. Page 6

● BIBBY LINE, the Liverpool-based bulk shipping company, is considering an offer by the Government of a three-year moratorium on its debts with UK shipyards. Back Page

● ROLLS-ROYCE has asked its workers at East Kilbride to co-operate in allowing court officials to take possession of four jet engines for the Chilean Air Force, which have been blacked by employees for three years. Page 10

● LLOYDS BANK has appointed a former director of S. G. Warburg to build up a new corporate finance advisory service. Back Page

COMPANIES

● ALCAN ALUMINIUM (UK) reports pre-tax profits for the first-half of 1978 down from £14.7m to £5.1m. Page 18 and Lex

● SMITH AND NEPHEW turnover for the 24 weeks to June 17 rose 7.9 per cent to £84.77m and pre-tax profits by 25.5 per cent to £9.28m. Page 17

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Allnatt London Props.	233	+ 9
Carlton Inds.	238	+ 10
Clay (R.)	87	+ 9
Glanfield Secs.	278	+ 11
Hawthorn Leslie	73	+ 8
Invergordon Distil.	149	+ 9
Lambert Howarth	49	+ 3
Midland Inds.	48	+ 5
Newmark (L.)	205	+ 10
Property Prtnshps.	110	+ 4
Richards Wallington	88	+ 5
Unilever	574	+ 4
Vibroplant	196	+ 6
Vickers	190	+ 6
Ayer Hiram	415	+ 20
Conzinc Riotinto	294	+ 8
FALLS		
Alcan Aluminium	153	− 10
BSR	99	− 5
Bowater	201	− 5
De La Rue	448	− 9
Ellis Everard	88½	− 5½
Furness Withy	251	− 11
Heath (C. E.)	287	− 8
Mills and Allen	189	− 6
NatWest	280	− 6
Nottingham Manf.	128	− 6
Reed Intnl.	150	− 6
Vinten	210	− 7
Willis Faber	280	− 7
York Trailer	55	− 3
Siebens (UK)	375	− 19
Ultramar	250	− 6
Bishopsgate Plat.	106	− 8
Buffels	£10⅝	− ½
Cons. Gold	194	− 6
Rustenburg Plat.	99	− 6
Selection Trust	460	− 12
Stilfontein	313	− 17
Unisel	227	− 13
West Driefontein	£28¼	− 1½

NATIONAL INSTITUTE SAYS RECOVERY WILL SLOW

Reflation urged to combat threat of output stagnation

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The prospect of stagnant output and rising unemployment next year "clearly calls for a significant measure of reflation," according to a new assessment to-day from the National Institute of Economic and Social Research.

The institute, an independent research body, predicts in its latest quarterly review that the short but rapid recovery in economic activity taking place in the UK will come almost to a halt from next winter.

Consequently unemployment, which is expected to remain about 1.3m for most of this year for adults in Great Britain, is likely to start rising again in 1979 to reach 1.5m by the end of the year, unless policies change.

The institute argues that reflation need not be constrained by the balance of payments but that the risks lie in the relationship between the exchange rate and prices.

Accordingly, pay policy should be firmly applied and it might help if a significant element in a reflationary package took the form of direct tax cuts.

The Treasury's appraisal, in its recent internal national income forecasts, is not believed to differ significantly from those of the institute and other bodies in projecting a slackening in the rate of growth of disposable incomes and in total output next year.

Whitehall economists, however, appear to doubt whether the deceleration in the growth of consumer demand will be as sharp as suggested by the institute, which projects a rise in real consumer spending of 5.5 per cent this year but of only 0.6 per cent during 1979.

Consequently the Treasury is likely to be less bullish about the current account than the institute, which forecasts a £1.9bn surplus in 1979, even though officials believe that the surplus will continue.

While assessments such as the institute's apparently increase the pressures for expansionary measures next year, there is a potential conflict with monetary policy.

The institute recognises that and notes that financial targets for 1979-80 wil lhave to be set fairly generously if they are to allow for the needed fiscal expansion.

On the basis of present policies, however, public-sector borrowing is expected to be £8.1bn in the current financial year and £8.4bn in 1979-80, with increases in sterling M3, the broadly defined money supply (including cash and current and seven-day bank deposits), of about 10½ to 11 per cent in both years. That appears to limit the scope for reflation if the existing target range of 8 to 12 per cent is retained.

The institute appears slightly more pessimistic than some other forecasters about the prospects for price inflation. Assuming a 12 per cent rise in average earnings in the new pay round, it projects a reacceleration in the annual rate of consumer price inflation to 10 per cent by the fourth quarter of this year and to nearly 11 per cent by the end of 1979.

The review also contains articles on various aspects of incomes policy, which the institute has consistently supported in the past few years.

One concludes that incomes policies have not in general permanently lowered real wages since in real terms they have caught up after an effective pay policy has been relaxed.

However, the behaviour of wages appears to have changed in the current policy from mid-1975, although it is still unclear whether the unprecedented fall in real wages in the past three years will ultimately be made up.

Detail, Page 19. Editorial Comment, Page 14

Sweeping tax increases in Australian budget

BY LAURIE OAKES CANBERRA, August 15.

THE AUSTRALIAN Government today introduced a sweeping budget package of tax rises and public spending cuts which drew expressions of concern from both business and labour.

The budget, described by Mr. William Hayden, the Labor Opposition leader, as a "disaster for Australia," increases income tax by 1.5 a cent and imposes a state levy on crude oil production which effectively adds 16 cents per gallon to the price of petrol. The programme proposes the abolition of the national health insurance system set up by the former Labor Government.

The budget also imposes steep increases in tax on tobacco products, beer and spirits, the retention of duty on coal exports—which the Government had promised to abolish last year—and a clamp on various methods of tax avoidance. Another new revenue raising measure in the budget is a tax of A$10 on all adults leaving Australia by sea or air.

There are few concessions for industry, although the sales tax on motor vehicles was reduced from 27.5 per cent to 15 per cent to help local manufacturers. To prevent imported vehicles gaining the same advantage, the Government imposed a special additional duty of 12.5 per cent on them—as well as on other finished goods subject to import restrictions such as clothing and footwear.

The Confederation of Australian Industry, through Mr.

Malcolm Fraser takes a lesson, Page 3
Editorial Comment, Page 14
Lex, Back Page

Kenneth Mason, its acting president, said that the Government would need to monitor the situation carefully and be ready to apply selective stimulatory measures should the effects fo direct and indirect taxation prove too depressive.

Mr. Mason congratulated the Government on having the courage to make hard decisions but said: "There must be concern about the likely adverse impact of the far-reaching revenue raising measures on consumer demand and economic activity."

Mr. Robert Hawke, president of the Australian Council of Trade Unions, described the budget as a "complete confidence trick" and predicted that it would further depress the economy.

Mr. John Howard, the Treasurer, said in his budget speech that inflation was likely to be running at an annual rate of only 5 per cent by mid-1979 — but he also conceded that unemployment was likely to increase during the financial year.

Mr. Howard described the income tax increases as "temporary" but it drew protests because of the repeated statements recently by Mr. Malcolm Fraser, Prime Minister, that he was in charge of a "low-tax Government."

Mr. Howard said that all Australian-produced crude should be sold to refineries at import parity levels from tomorrow with the proceeds — at least temp-

Continued on Back Page

Lord Grade's pay rises 253%

BY JAMES BARTHOLOMEW

THE SALARY of Lord Grade, chairman and chief executive of Associated Television, rose by 253 per cent in the last financial year—from £59,500 to £210,428—probably making him the highest-paid director of a British public company.

In ATV's annual report which was sent to shareholders yesterday, the directors say that the increase "is wholly attributable to his greatly-increased personal workload in our American companies." His UK remuneration has not been increased.

The directors write that the salary paid him in America is "small viewed against that paid to other leaders in the American motion picture and television industries."

Lord Grade himself said yesterday that his previous salary looked so small to American film producers that "I was really a laughing stock." He added that one of the corporation's employees in America was paid "a helluva lot more."

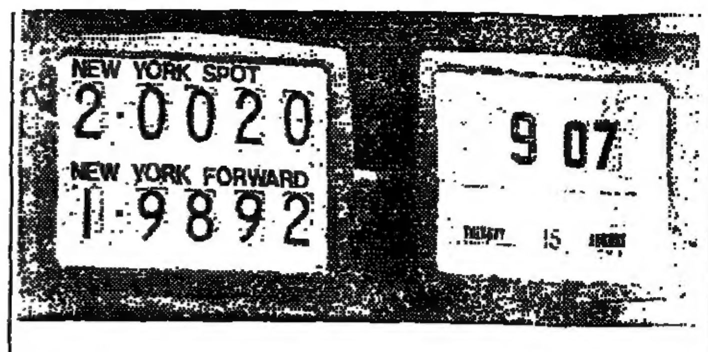
The highest-paid directors of British public companies are paid considerably less. Mr. F. V. Waller, chairman of Adwest, received £122,269 last year and Sir Arthur Bryant, chairman of Wedgwood, £137,000. And the highest-paid men of the biggest UK companies—Shell Transport and Trading, BP and ICI—received £201,220, £96,500 and £95,363 respectively.

Larger sums were received by directors of a private company and an Irish public company. Mr. Richard Tompkins of Green Shield Stamps was entitled to £231,767 last year although he waived £194,119 of it, while Mr. Michael Smurfit of Jefferson Smurfit was paid £380,000.

Lord Grade said the ATV board had been trying to re-negotiate his contract for a long while but he had never really had time. The board wanted to tie him to the company, he said. The new contract lasts for seven years.

His work in the U.S. is being further increased by a new venture, Marble Arch Productions, which is taking on American companies on their own ground by making television films and series specifically for American networks. Lord Grade said that he already has $70m of orders for this company.

Annual statement, Page 16



Dollar rallies after pound touches $2

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE DOLLAR stopped falling yesterday. A modest rally followed daily declines for almost three weeks and marked weakness in the morning when sterling rose above $2.00 for the first time since March 1976.

The recovery was very limited and only took the U.S. currency to slightly above its closing levels on Monday, and below the rates before the weekend.

Dealers reported that there was no underlying strength. Trading volume was moderate with Paris, Milan and Brussels markets closed. But later in New York, hectic conditions developed.

Conflict

There were conflicting reports about central bank intervention, but it is probable that any action was on a small scale. There were also references to a Swiss Cabinet meeting this morning, but no new moves are expected.

The main reason for yesterday's rally is likel yto have been profit-taking and a closing of speculative positions on the view that the dollar might have fallen too rapidly for the time being. Few dealers currently expect more than a temporary respite.

At one stage yeseterday the dollar fell to SwFr 1.5470, which represented a decline of nearly 8 per cent since the beginning of last week. The rate later rose to SwFr 1.6065, against SwFr 1.5835 on Monday evening.

Similarly, the dollar's low point against the Deutsche Mark was 3¼ per cent down on the level of 10 days ago, and 2¾ per cent against the Japanese yen. The dollar closed up on the day against both currencies and the gold price also declined, by $1¼ an ounce to $213¾.

The rise in sterling to a peak of $2.0030 in early trading was not regarded as very significant by the authorities in London, since it mainly reflected the decline in the dollar.

Sterling finished at $1.9740, down 70 points on the day with the trade-weighted index unchanged at 62.7 after a peak of 62.9.

The authorities are taking a fairly relaxed view of the implications of the recent rise in sterling for the medium-term competitiveness of British exports.

This is because they attach most importance to the trade-weighted index as an indicator and this has risen by less than 1 per cent in the last month compared with a 5 per cent appreciation against the dollar.

The decline of sterling this year compared with the stronger Continental currencies is reflected in the fact that the index is more than 5½ per cent below its 1978 peak.

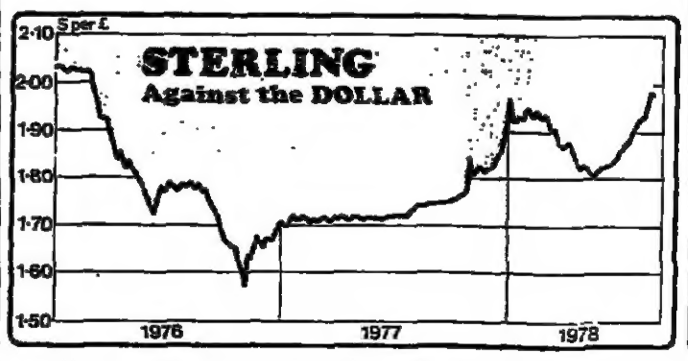
John Lyles writes from New York: Economists here are calling for firm action from the Carter Administration and the Federal Reserve Board to rally to the defence of the dollar.

Opinion is hardening that there is no en di nsight to the dollar's slide in the foreign exchange market unless the Administration further substantially reduces the projected $45bn to $50bn budcet deficit for fiscal 1979 and the Federal Reserve Board is seen to take a

Continued on Back Page
Paul Samuelson writes on the American economy, Page 14

£ in New York

—	Aug. 15	Previous
Spot	$1.9735-9755	$1.9800-9830
1 month	0.56-0.49 dis	0.63-0.57 dis
3 months	1.39-1.33 dis	1.43-1.37 dis
12 months	4.70-4.50 dis	4.70-4.50 dis



Hawker Siddeley receives £60m settlement

By Andrew Taylor

HAWKER SIDDELEY is to receive a total of £60m compensation from the Government for its two aerospace subsidiaries nationalised last year. The sum is on top of the £49m of loans already repaid by British Aerospace to the group.

The compensation is much higher than many in the City had expected particularly given the level of loans already repaid. The total package including loan repayments is likely to be around £120m when additional sums for dividends and interest are taken into consideration.

This is only the second major settlement since the nationalisation of the shipbuilding and aircraft industries and the first affecting aerospace interests. Six weeks ago Swan Hunter announced that it was to receive £15m compensation for its shipbuilding interests.

As in the Swan Hunter deal the compensation is to be paid in the form of Government stock.

The £60m figure—agreed by Sir John Lidbury, the Hawker director representing stockholder interests in negotiations with the Government—includes £3.1m already paid on account.

It compares with net tangible assets of the two vested subsidiaries, Hawker Siddeley Aviation and Hawker Siddeley Dynamics, of £26m according to the group's last balance sheet. The deal therefore leaves the group with a book profit of almost £35m.

Cash balance

Hawker is unlikely to retain the Treasury Stock and a sale would further increase the group's already healthy cash balance which at December 31, 1977, stood at around £100m—including the loan repayments from British Aerospace.

This cash is likely to be used to support the group's capital expenditure programme—Hawker is committed to spending around £50m in the current year—and also for further acquisitions.

Since the end of last year Hawker has spent just over £30m acquiring a controlling 52 per cent interest in Carlton, the batteries-to-whisky group and a near 20 per cent stake in J. H. Fenner, the power transmission engineers.

Last month Hawker said that it had no intention of making an outright bid for Fenner. Nevertheless Fenner's share price rose 4p to 165p yesterday on takeover hopes.

The compensation figure represents about 30p a share with Hawker's share price suspended yesterday at 242p.

Meanwhile settlement terms still have to be agreed with a string of other companies including Vickers, GEC, Cammel Laird, Yarrow and Vosper.

Lex Back Page

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EUROPEAN NEWS

POLLUTION IN COMECON

A new approach to the environment

BY ROGER BOYES

COMECON countries have traditionally been somewhat reticent about social and economic problems—inflation and drug addiction, homlessness and poverty are seen as exclusively Western and sure tokens of the impending collapse of capitalism. Pollution too has until recently ranked among the cardinal Western sins, but now there seems to be a growing recognition that it also afflicts the East.

Signs of the new, relatively open approach appear almost *daily, especially in the more* economically advanced Comecon countries. A leading Radio Moscow commentator, Mr. Vladimir Pozner, recently criticised the Ministry of Building Materials for ignoring a 1974 decree *on* pollution controls. Soviet newspapers have dealt recently with water conservation in Uzbekistan, the control of salination in the Caspian Sea, and the cleansing of the Dnieper River.

Czech and East German journals have also been devoting an unusual amount of attention to environmental subjects. One Czech magazine even issued a tacit appeal recently for more action against noise pollution.

The scope of the press coverage is significant not only in view of the secrecy which had previously surrounded environmental issues, but also the hints it contains of a growing environmentalist movement in Eastern Europe.

According to the Book of Indexes and Guidelines issued by the Polish bureau of censorship (GUKPPiW), pollution needs to be treated delicately if at all.

"Materials concerning the actual state of pollution caused by Poland's industrial activity within the Polish sector of rivers whose sources are in Czechoslovakia are not to be released," it says. On the other hand, according to the book—smuggled out last year by a *former censor*, Mr. Tomasz Strzyzewski—"information about the pollution of these rivers caused by industrial activity within the territory of Czechoslovakia may be released."

This chauvinist attitude to *pollution reflects the nationalist* rather than Marxist approach shared by both environmentalists and non-environmentalists in Comecon. The issues of economic growth and national development are closely intertwined with *the environmental debate* and it can be "unpatriotic" to insist on certain forms of conservation.

"We must be willing to slow our economic growth by probably 7 to 10 per cent for several years to divert funds to rescuing *the balance of nature*," wrote a pro-environmentalist in the weekly Literaturnaya Gazeta eight years ago. His rather brave comments drew intense criticism: there were indeed limits to growth but these were imposed by man and not by nature.

The East Europeans have, of course, been able to afford a somewhat cavalier attitude to environmental issues. Because of the lower stage of development in several industrial branches and low population densities in many areas, notably Siberia, they have been able to view the problem as one of conquering nature rather than preserving it. Now, if the increased Press coverage is anything to go by, the Comecon countries are beginning to reap some of the more unpleasant consequences of their rapid growth in the past decade.

The Soviet Union appears to have led the way in both acknowledging and tackling pollution. This may be because of the sheer size of the country's environmental problems and may also reflect Moscow's need for Western expertise to help solve them.

The Soviet approach is that combating pollution is not an end in itself, but rather the offshoot of the more important drive to make an efficient use of natural resources. This is particularly noticeable in the field of water pollution.

Soviet industry makes increasing demands on fresh water supplies. The quantity required for Siberian industry alone last year has been estimated at 185m cubic metres daily. With Siberian industrial output scheduled to grow some 500 per cent during the next 10 to 15 years, an amount equal to all of the water in the huge Yenisei and Ob rivers will be needed, unless new processes for recycling and purifying the water are devised.

Another aspect of the problem is that of untreated effluent. Caviar prices have soared over the past 20 years partly because oil seepage from Baku Bay has cut back the sturgeon catch in the Caspian Sea. And until 1965, according to Moscow newspapers, some 300,000 to 400,000 cubic metres of raw sewage was flushed each day into the Moskva river which flows through the Soviet capital. Now almost all domestic sewage is purified but controls have only recently been placed on the discharge of industrial waste water.

Another problem, affecting agriculture-based economies such as Romania and Bulgaria, is the pollution of lakes and rivers by agricultural chemicals. This can occur, as in Romania, because of inefficient drainage systems. In the Soviet Union, one of the worst cases of agricultural pollution came when dust storms blew *fertiliser mixed with topsoil off* the land in the Krasnodar region into the Sea of Azov.

Environmentalists are evidently becoming more vociferous in the Comecon countries. Sometimes they even win through, as in the case for the preservation of Lake Baikal in Siberia.

The low levels of motor vehicle production for internal consumption has helped to preserve the quality of air in Eastern Europe. But as growth rates remain high in comparison with the West, and as consumer expectations rise, the Comecon countries are having to gear themselves to large increases in domestic car production.

East European action against polution is hampered by a *fragmented decision-making apparatus which has until* recently stifled any potential environmentalist lobby.

General questions of pollution control in the USSR are handled by the Ministry of Public Health and its branches, in the various republics, but national and State planning agencies are also concerned with the effective use of water resources. In addition, the emission of harmful pollutants must be licensed by State authorities—a process which *usually involves local* soviets (councils), the Ministry of Public Health's Sanitary Epidemiological Service, which enforces pollution control regulations, and a number of other water users and other potentially involved parties.

Anti-pollution decisions usually break down at the enforcement level.

Yet environmentalists are evidently becoming more vociferous in the Comecon countries. Sometimes they even win through, as in the case for the preservation of Lake Baikal in Siberia, famed for its pure waters.

The battle for the conservation of the lake was fought between two main protagonists—the Ministry of Timber Pulp and Woodworking (now renamed the Ministry of Pulp and Paper Industry) whose cellulose mills represented a major threat to the lake, and on the other side a loose coalition of conservationists, scientists and writers operating within the Ministry of Land Reclamation and Water Resources, and the Ministry of Public Health.

When the Timber Ministry proposed to construct two cellulose mills in the Baikal basin—arguing that the pure water was needed to produce pure cellulose cord for national defence—local inhabitants expressed their opposition. The local Communist Party approved the construction plans however as new industry in the area added to their prestige.

The regional public health officials were informed by some disgruntled citizens who had private allotments near the sites of the mills. Against everybody's expectations the central Health Ministry took up the case and ensured that the national Press, notably Literaturnaya Gazeta, covered the Baikal affair. *According to Western analysts*, the move may well have been a deliberate attempt to challenge the Timber Ministry and set a precedent for environmental conflicts.

Waste emission standards were *imposed on one of the mills*—an apparent victory for the environmentalists—and it quickly became apparent that the mill's original facilities for purification were inadequate. The Ministry then asked for less stringent *waste emission standards while* new staff were trained and new equipment installed. This was permitted and pollution effectively increased for two years.

Only after behind-the-scenes bargaining by the Health *Ministry environmentalists* and a string of decrees in 1969, 1971 and 1974 was a compromise reached. Pollution-prone industries were banned from the lakeside and strict pollution emission standards were imposed, *but at the same time production* norms for the timber mills and neighbouring plants were lowered.

Akzo nv
Registered Office at Arnhem

Report for the 1st half year 1978

Sales and results

Results for the second quarter of 1978 developed as predicted in our 1977 annual report. Net income was Hfl 13.3 million, compared with a net loss of Hfl 2.6 million for the second quarter of 1977.
Income for the first half of 1978 therefore netted Hfl 15.8 million versus Hfl 10.4 million in 1977.
Net income was adversely affected by our unfavorable tax position, mainly because no tax deductions could be made for losses incurred in the Netherlands.

Sales for the second quarter of 1978 were up 3% over sales for the corresponding period of 1977, while the rise for the first half of the year was a mere 1%. This retarded growth reflects the difficult position of segments of the chemical and man-made fiber industries, particularly in Western Europe.
A further adverse factor was the depreciation of the U.S. dollar against the Dutch guilder by approximately 10% compared with the first half of 1977.

Operating income for the first six months of 1978 stood at Hfl 192 million versus Hfl 162 million last year; this corresponds with 3.6% and 3.1% of sales.

Man-made fibers

The improvement in operating results relative to 1977 was principally due to lower losses on man-made textile fibers by Enka's Western European operations. This positive development is largely attributable to cost-cutting measures *which are now taking full effect*. Because of keener competition, second-quarter income of the industrial fibers group was lower than last year, although earnings still exceeded the budgeted level.
With shipments and prices up, American Enka was able to achieve positive operating results for the second quarter of 1978, after a slight loss for the first quarter.

Chemical products

Results of Akzo Zout Chemie and Akzo Chemie for the first six months were unsatisfactory, at levels which were even below last year's. Cost-reducing measures are being implemented and additional efforts to increase revenues have already met with some success.
Results of Akzo Coatings were significantly better than last year.

Pharmaceuticals, consumer products and miscellaneous products

Sales and operating income of pharmaceuticals and consumer products were higher than in the first half of 1977, due in part to consolidation of the accounts of R.E.T.L. (France) and Mayolande (France).
In the category of miscellaneous products, operating income of Brand-Rex (Akzona) was up substantially.

Capital expenditures

Expenditures for additions to property, plant and equipment *aggregated Hfl 200 million for the first six months of 1978* and thus remained well within the limits of funds from operations.

Personnel

Altogether, the number of employees was down 600 in the *first half of 1978* to 83,600. Reductions at, chiefly, Enka (upward of 800) and the two chemical divisions Akzo Zout Chemie and Akzo Chemie (300) were partly offset by an increase for Akzona (400) and by the inclusion in the personnel figures of the approximately 300 employees of Mayolande (Akzo Consumenten Produkten).

The Board of Management

Akzo Arnhem, August 1978

Consolidated statement of income	2nd quarter 1978	2nd quarter 1977	1st half year 1978	1st half year 1977
in Hfl million				
Sales	2,671.1	2,582.3	5,320.4	5,264.8
Operating costs excluding depreciation	(2,448.8)	(2,378.6)	(4,885.5)	(4,846.7)
Depreciation	(120.7)	(126.9)	(243.2)	(256.4)
Operating income	101.6	76.8	191.7	161.7
Interest	(61.6)	(63.1)	(121.1)	(123.7)
	40.0	13.7	70.6	38.0
Taxes on operating income less interest	(35.1)	(17.4)	(62.2)	(34.8)
Equity in earnings of *non-consolidated companies*	15.2	6.2	22.8	16.2
Extraordinary items	2.2	(0.2)	2.1	1.3
Group income	22.3	2.3	33.3	20.7
of which minority interest	(9.0)	(4.9)	(17.5)	(10.3)
Net income	13.3	(2.6)	15.8	10.4
Net income per common share of Hfl 20, in guilders	0.45	(0.09)	0.53	0.35
Common stock	591.9	591.9	591.9	591.9

The above consolidated statement of income was prepared on the basis of the same principles of consolidation and determination of income as were used in the 1977 annual report.

in Hfl million	Sales by main product group 2nd quarter 1978	1977	1st half year 1978	1977	Operating income by main product group 2nd quarter 1978	1977	1st half year 1978	1977
man-made fibers	892	940	1,783	1,879	12	(14)	1	(30)
chemical products	948	931	1,950	1,938	21	30	64	75
pharmaceuticals, consumer products and miscellaneous products	831	711	1,587	1,448	69	61	127	117
total	2,671	2,582	5,320	5,265	102	77	192	182

Copies of this report may be obtained from the London Paying Agent: Barclays Bank Limited, Securities Services Department 54, Lombard Street, London EC3P 3AH.

Podrabinek given five years internal exile

BY DAVID SATTER MOSCOW, August 15.

MR. ALEXANDER PODRABINEK, a young Soviet dissident who wrote a book giving case histories of alleged psychiatric repression, was today convicted of anti-Soviet slander and sentenced to 5 years internal exile.

The sentence, which was handed down after a brief one-day trial, was one of two pos*sible maximum sentences for* conviction of the offence. The other possible sentence is three years in a labour camp.

Dissidents said that details of the trial, which took place in Electrostal, an industrial city 40 *miles east of Moscow, were still* being pieced together. But they said that the prosecution witnesses against Mr. Podrabinek were Soviet psychiatrists and that no defence witnesses were allowed to be called.

The sources said that Mr. Podrabinek put forward a total of 20 separate requests during the trial, all of which were refused.

Mr. Podrabinek decided to discharge Mr. Yuri Shalman, his Soviet lawyer, after the judge in the case rejected his request to be represented by both Mr. Shalman and Mr. Louis Blom-Cooper, a British barrister asked by Mr. Podrabinek to help in his defence.

Earlier, Mr. Vyacheslav Bakhmin, a co-founder with Mr. Podrabinek of the sub-committee on psychiatric repression of the Helsinki Agreement monitoring group, said that the case against Mr. Podrabinek was based on his authorship of a 300-page book entitled "Punitive Medicine."

The book reached the West and is believed to have helped persuade the World Psychiatric Congress to censure Soviet psychiatric practices last year in Honolulu.

Foreign journalists were barred from travelling to Electrostal, where Mr. Podrabinek is officially resident, because it is a closed city.

Mr. Podrabinek, 25, is the last of the major "Helsinki Group" dissidents to be arrested and tried. In all, 16 people connected with Helsinki Groups in Moscow, Lithuania, the Ukraine, and eGorgia have been tried and sentenced and a number of others are awaiting trial.

Mr. Podrabinek, who worked as an ambulance driver, compiled 200 medical case histories of dissidents llegedly put into psychiatric hospitals and also a list of 100 Soviet paychitrists who sat on commissions said to have declared dissidents insane.

Invasion condemned

BY JONATHAN CARR BONN, August 15.

IN A notably outspoken commentary, the former West *German Chancellor and father of* the "ostpolitik", Herr Willy Brandt, today renewed his condemnation o fthe Warsaw Pact invesion of Czechoslovakia 10 years ago this month.

"*Wherther those in Moscow,* in East Berlin or anywhere else willingly hear or not—the shock of that time has scarcely worn off, the sense of outrage remains undiminished," he wrote in an article published by his Social Democrat Party (SPD).

The Bonn Government—and along with it Herr Brandt as chairman of the senior coalition party, the SPD—has on occasion been criticised for allegedly favouring too much a policy of "quiet diplomacy" to try to improve relations with eastern Europe.

In his article, Herr Brandt stressed that idealistic aims alone could not counter the harsh process unleashed in the Soviet sphere of influence when the power centre felt itself threatened. There was no alter*native to the detente policy.*

But he added that bitter experience could not be shrugged off; it was important to repudiate those who held that the very recollection of August 1968, to be hostile to detente.

Herr Brandt said that what the former Czechoslovak leader Alexander Dubcek and those about him had sought to produce in "socialism with a human face" had been swept aside—but it could not be removed from history.

Danish warning on deficit

BY HILARY BARNES COPENHAGEN, August 15.

MR. KNUD HINESEN, the Danish Minister of Finance, has warned that there will be a new deterioration in Denmark's current balance of payments deficit next year unless fiscal policy is tightened up.

In a statement on the 1979 Finance Bill published today, Mr. Hinesen said that unless policy was adjusted, real private consumption would rise by 4.5 per cent while income would increase by about 10 per cent and consumer prices by 5 per cent.

The Finance Bill, published in the middle of negotiations between the Socialist Democratic minority Government and the Liberal Party, in the formation of a coalition, does not take account of the adjustments which are expected to be made in fiscal policy later this year.

The Finance Bill shows an increase in central Government budget revenue by 4.9 per cent to DKr 93.3bn (£8.7bn), in expenditure by 10.8 per cent to DKr 109.1bn and in the deficit on revenue and expenditure account from DKr 11.3bn to DKr 15.9bn.

The total borrowing requirement will increase from DKr 32bn to DKr 41.3bn, including the sale of DKr 7m bonds to social pension funds and DKr 17.9bn for repayment of the Government debt. The net borrowing requirement, excluding the refinancing of existing debt, will rise from DKr 20.3bn to DKr 23.6bn.

Considerable borrowing abroad by the state will continue to help finance next year's deficit, with the Finance Bill written on the assumption that the state will borrow DKr 4.9bn abroad this year and DKr 6.5bn in 1979. At the end of May, the state's foreign debt was DKr 27bn, or about 10 per cent of 1977 gross domestic product.

Soares party eases stand

BY JIMMY BURNS LISBON, August 15.

IN AN ATTEMPT to restore some political stability, Prime Minister Alfredo da Costa may by the end of this week form a government of political independents which, while lacking Socialist participation not necessarily provoke a dangerous confrontation with the Socialist Party.

Following his second meeting this week with the Prime Minister, a leading Socialist *spokesman* said today that his party was still resolved not to work under Sr. da Costa's leadership, but it would not make any final judgment on Sr. da Costa until he had chosen his government.

Sr. da Costa himself emerged from a short meeting with President Antonio Ramalho Eanes last night pledging to form a government "with or without the Socialists."

Indications are that even if President Eanes decided on elections as the only way out of the political deadlock a transitional government would have to be formed to draw up the necessary electoral law. It is generally believed, nevertheless, that holding elections before they are due under the constitution in 1980 could be costly both in economic and political terms, and should be avoided if possible.

The Socialists, therefore, find *themselves* under increasing pressure to moderate their attitude towards the Prime Minister, even if acceptance means only pledging not to vote against him in Parliament.

Significantly, the policy of non-*participation declared last week* by Sr. Mario Soares, the Socialist leader, was criticised this wek by a leading member of his party, Dr. Jose Medeiros Ferreira, a former Foreign Minister.

Romania concerned over Soviet view of Hua visit

BY PAUL LENDVAI BUCHAREST, August 15.

CHAIRMAN Hua Kuo-feng, the Chinese Communist Party leader and Prime Minister, arrives here tomorrow morning on what Romanian officials privately stress will be a "normal state visit."

Slightly bewildered, yet pleased by the attention paid by the international Press to the visit, the first paid by a top Peking leader to an East European country, Romanian officials are obviously concerned about "speculations" and their possible impact on their powerful Soviet neighbour.

The concern is obviously due to the embarrassing revelations made recently by maverick Albania which last month publicly broke with China, its hitherto close ally. In a lengthy public letter sent to the Chinese leadership two weeks' ago, the Albanians disclosed that they were urged twice—in 1968 and 1975—by China to conclude a military alliance with Yugoslavia and Romania.

The Albanians now claim that they turned down this idea, whose aim, they say, was to turn the Balkan area into a powder keg.

Romanian official circles noted that Pravda, during the weekend, picked up the Albanian accusations in an attack on what they termed China's warmongering plans in the Balkans. However, well-informed Romanian officials emphaticaly stressed that Romania had never been approached in this respect nor did it consider the idea of a military alliance.

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THE BANGLADESH ECONOMY

Time begins to run out for millions of landless peasants

BY KEVIN RAFFERTY, RECENTLY IN DACCA

JUDGED BY the conventional indicators, Bangladesh today is doing well. Economic growth in the year which ended in June was 8 per cent in real terms. Rice production has reached a record 13m tons, a successful start has been made in growing wheat, and food imports have been cut too 1.5m tons from a peak of 2.5m. Other traditional crops, like jute and tea, are doing well.

Inflation appears to be under control. Law and order have been restored though there were bloody clashes when the army custodians of power squabbled among *themselves*. A *peaceful* Presidential election has been held, and the return of complete democracy is promised by the junta when elections are held in December.

But these improvements mask a rapid deterioration in the prospects of the masses of poorer Bangladeshis. Official statistics recently released indicate that more than half the 84m population is effectively landless. Only five years ago a major World Bank study of Bangladesh quoted a figure of 25 per cent.

Some senior civil servants are so alarmed by the figures that they are urging President Ziaur Rahman to take radical action in favour of the have-nots. Otherwise, they warn, there will be permanent and widespread misery and hunger far worse than that Bangladesh has already suffered. One high-level civil servant told me that time was fast running out. There might be two to five years to bring about changes. The next bad harvest would be a decisive factor, and Bangladesh has had an unusually good run of three years of favourable rains.

According to the Land Occupancy Survey conducted in late 1977, *32.79 per cent of rural* households had no land apart from the homestead, and a further 15.29 per cent had only half an acre, often fragmented into little strips. According to the U.S. Agency for International Development the survey underestimated the amount of landlessness.

His land offers a Bangladeshi his food, his job and livelihood and his place in society. In the countryside, where 90 per cent of Bangladeshis live, *land is power* and the indispensible precondition of any kind of economic advancement. Bigger farmers can gain effective access to credit to make improvements and to invest in new farming methods, but the marginal farmer *lacks* collateral for bank loans. The big farmer offer gets credit at low Government-set rates and then lends to the smaller man at rates extortionate enough to squeeze the small man out if the crop is below average.

Widespread sales of land occurred after the 1974 floods when many marginal farmers had to sell just to get enough food to see them through the year. Sales are continuing and there is plenty of scope for more. According to the Land Occupancy Survey, about half of holdings consist of less than an acre and 60 per cent of less than three acres. At the other extreme, about 8 per cent of households account for more than 25 per cent of land and 11 per cent of households own more than 52 per cent of the land. Some farmers own more than 200 acres, in spite of a land ceiling of 30 acres.

Neither education nor industry offers much hope for the poorer Bangladeshis. From quite a young age the child can earn extra pennies by looking after and washing cattle. Industry provides about 6 per cent of the country's employment (against 77 per cent in agriculture) and there is little prospect of any rapid increase.

In these straightened circumstances the landless Bangladeshi farmer has few options. He can stay on in the countryside and hope to pick up casual work. This may not be too difficult at harvest-time, but outside these seasons there is little work and competition is fierce. Official calculations were that in 1975-76 the unemployment equivalent of underemployment amounted to 38 per cent of the labour force.

Or he can drift into the handful of main towns where there is a statutory ration system offering food at below market prices — if he can get himself *registered*—and perhaps the chance of casual work for the year round. But urban life is a tougher option.

The civil servants who are pressing for a radical course have asked the President to start by giving sharecroppers security of tenure. (The Marxist government across the border in the Indian state of West Bengal is taking this step). They hope that such an arrangement might buy time. If extension work could be pressed to involve the marginal farmers, if credit schemes could be extended to them, if more attention was given to trying to achieve workable co-operatives, then maybe there could be a hope of pulling the poor masses into economic development.

President Ziaur Rahman: no radical course

But these are all ifs and President Zia seems to have set his face against radical action. When I saw him recently in Dacca his theme was that with hard work all round Bangladesh could pull through. The President himself has toured the villages and encouraged civil servants to get away from their desks and into the countryside. But his thesis is that Bangladeshis are all poor together, and that does not accord with the hard rural facts of life.

The landowning rural barons *may be poor by world standards* but in Bangladesh they rule the roost. They are precisely the reason why President Zia would hesitate to take radical measures. Only a determined and sustained effort would break the power of *the rural landlords* who have built a complicated network of client relationships.

So far the Bangladesh peasant has managed to find new ways to survive and the system has been squeezed to accommodate the larger and larger numbers of poor. But there is little room for manoeuvre.

Bangladesh with a per capita income of $110 a year, is only the sixth poorest country in the world according to World Bank table (after Bhutan Kampuchee, Laos Ethiopia and Mali), but its total population is double that of the leading five put together. Per capita food consumption is a mere 15.5 ounces a day and 60 per cent of families consume well below the *minimum number of* calories needed to sustain health. The economy as a whole is kept ticking over at its low level of activity only through foreign aid worth $1bn a year or twice the value of Bangladesh's exports. It is a pitiful enough existence for the masses. If there is another bad harvest even this equilibrium could be toppled over.

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Japanese wholesale price index shows sharp fall

BY ROBERT WOOD TOKYO, August 15.

THE Japanese wholesale price index declined by 1 per cent in July—the largest margin in 20 years.

The drop was traceable almost entirely to the yen's rise against other currencies. The landed prices of Japanese imports and the yen prices of Japanese exports both enter directly into the Japanese wholesale price index.

The average yen rate in July was 6.7 per cent above the rate in June, so the landed price of imports declined 6.2 per cent despite price increases of imports in dollar terms. Yen prices of Japanese exports also declined as exporters received less yen for their sales in dollars and other currencies. Together, the two factors directly accounted for 80 per cent of July's 1.0 per cent wholesale price decline, the Bank of Japan said.

Landed imports have a weight of about 10 per cent in the Japanese wholesale price index. Thus a 10 per cent decline of the dollar relative to the yen automatically would produce a 1 per cent decline in the index even if no Japanese import passes the gain on to a user. Exported goods also make up about 10 per cent of the index.

About 20 per cent of July's decline in wholesale prices was traced to "domestic" factors, but some declines in domestic prices are in fact due to earlier declines in the costs of imported raw materials.

The Japanese wholesale price index is now 2.5 per cent below the level of July last year. The Bank of Japan today predicted another big drop in August because of the yen's continuing rise. The yen set a new post-war high of 181.20 to the dollar in Tokyo today, largely in reaction to the dollar's continuing decline against other currencies.

Another big wholesale price decline this month would increase the year-to-year decline of the wholesale price index drmatically, because wholesale prices rose in August 1977. Over the past four months, wholesale prices have declined at an average annual rate of 4.5 per cent, almost entirely to the yen's rise.

Japanese consumer price inflation is usually about five percentage points higher than wholesale price inflation, largely because of Japan's protection of inefficient small-scale stores and because of the high weight of labour-intensive public services like transit. Japan's consumer prices are now rising at about 4 per cent a year, reflecting wholesale price declines that were averaging about 1.5 per cent on a year-to-year basis early in 1978.

World Bank pessimistic about 800m. at 'margin of existence'

BY CHRISTOPHER SHERWELL

THE PRESENT 800m world total of people living "at the very margin of existence" will more than double by the end of the century if the post-war rise in living standards experienced by Third World countries does not persist over the next few years, according to the World Bank.

In its first World Development Report published today*, the Bank says continuation of the broad trend would reduce the number, though only to 600m—a figure it describes as "disturbing." But the Bank also dismisses as "extremely optimistic" the possibility of achieving a still lower figure through higher world growth.

The report emphasises the broad improvement which has occurred in the developing countries since the war. Bank officials say this is a direct result of collaboration between the industrialised and developing countries rather than simply fortuitous, though they also admit privately that to suggest no improvement has occurred would be to undermine future efforts by rich nations to combat poverty.

The Bank's statistics nevertheless demonstrate how irregular the pattern has been and is likely to stay. While the proportion of "absolute poor" in the population of the so-called "middle income" countries (annual per capita income greater than $250) may be cut by three-quarters by the year 2000 if post-war trends continue, the report says the fall in "low income" countries is expected to be less than half. Even then the actual number of poor people in low income countries will decline only marginally, from 630m to 540m.

Middle income countries as diverse as Venezuela, Malaysia and Nigeria are of less immediate concern to the Bank, which is one of the key channels of assistance to developing countries. They do not face slow growth or the sort of dependence on agriculture and concessional capital that low income countries in South Asia and Sub-Saharan Africa confront.

The Bank nevertheless stresses that trade developments are vital for these countries. It sees the trend towards protectionism among industrialised countries as ominous, and the report contains a lengthy argument on the deleterious impact protectionist measures would have on both rich and developing countries.

The Bank says alleviation of poverty in the low income countries, where the bulk of the poor are found, demands both an increase in agricultural productivity to raise the purchasing power of the small and marginal farmer and the creation of employment for the landless at higher wages. With its own efforts on farm productivity now largely over, the Bank believes most effort must now be devoted to the issue of "off farm employment," though it knows of no solution yet.

The Bank also says that obstacles to poverty alleviation measures posed by deep-seated tradition, weak administration and political opposition are "no justification" for inaction by developing countries, on whose own shoulders the main responsibility is said to rest. But international action is also necessary, and the Bank says co-ordinated demand management by the industrialised countries is "essential."

On the aid front, the Bank urges an expansion of capital for the long-term international lending institutions in order that they might increase their lending and ensure a better balance between this and medium-term lending from private sources. Private bank lending is projected to increase, but the report says the high ratio of gross to net lending by private banks "has the potential for serious instability." Individual countries could encounter short-term liquidity problems, it adds, but present prospects "do not suggest a general problem of debt servicing capacity."

World Development Report 1978, the World Bank, Washington DC (August 1978).

Dar congestion easier

BY OUR OWN CORRESPONDENT LUSAKA, August 15.

THERE are signs of improvement at the congested Tanzanian port of Dar Es Salaam, which handles over 80 per cent of Zambia's trade, according to figures released here by shipping agents Leopold Walford.

On August 12 there was a total of 52,000 tonnes of Zambian imports stored inside and outside the port, compared to 68,000 tonnes on June 24. The number of ships waiting to berth on the same dates has fallen from 31 to 12, and average waiting time has dropped from 31 to 10 days.

However, the position of Zambian copper exports continues to concern industry sources, who calculate that over 100,000 tonnes are held up at the mines, in transit and at the port itself. There are signs, say the sources, that the backlog at the port is being reduced, but there remain serious problems on the Tanzania-Zambia railway (Tazara) which carries the bulk of the copper.

Jordanians dismiss West Bank proposal

By Rami G. Khouri

AMMAN, August 15.

JORDAN is not enthusiastic about President Sadat's proposal that it should resume control of the Israeli-occupied West Bank for a five year interim period, and says that it was not consulted before Mr. Sadat presented it as a crucial part of his latest peace proposals.

Mr. Sadat has said that Jordan should regain sovereignty over the West Bank and Egypt over the Gaza Strip for a five-year period, after which the Palestinians should form their own government. But a senior Jordanian said: "We are not enthusiastic about the idea of ruling the West Bank and we do not now envisage a transitional Jordanian role in the West Bank."

The Jordanian government strongly believes that the U.S. government should take the opportunity of next month's Camp David summit meeting of Mr. Sadat, Mr. Begin, the Israeli Prime Minister and President Jimmy Carter to produce a "bold and clear" policy towards the Middle East.

It feels that the lack of such a policy has resulted in Israel being able to avoid making commitments to the principles of UN resolution 242, which calls for withdrawal from all occupied territory.

Jordan thinks that the involvement of President Carter's personal prestige in the Middle East peace-making process heralds a new U.S. commitment to pushing through its own proposals about the shape of an Arab-Israeli settlement, and says it has been assured of this by the State Department's special envoy, Mr. Alfred Atherton.

But Jordanian officials feel that while Mr. Sadat has shown he does not want to sign a bilateral peace agreement with Israel, his isolation in the Arab world may leave him with the only option being a separate peace with Israel.

They fear that the new U.S. commitment to pushing forward its own proopsals could conflict with the long-established Arab consensus on the principles of a Middle East peace settlement. They include a full Israeli withdrawal from territories occupied in 1967 and a process of national self-determination for the Palestinians.

L. Daniel writes from Jerusalem: Mr. Menachem Begin, Israeli Prime Minister, today denied flatly that there had been any intention on his, or anyone else's part to sabotage the Camp David Summit meeting with President Anwar Sadat of Egypt and President Jimmy Carter of the U.S. scheduled for September 5 by putting forward the plan for five new West Bank settlements.

He said work on five proposed new Jewish settlements on Arab land in the Jordan Valley had been stopped to give a psychological boost to the summit. He told reporters outside his office, however, that Israel had a right to put up such settlements.

New Saudi revaluation

By Richard Johns

THE SAUDI Arabian Monetary Agency yesterday revalued the riyal against the dollar for the second time in three days.

The move raised speculation about the willingness of the Kingdom to contemplate an oil price rise before the end of the year to compensate for the continued depreciation of the U.S. currency.

It coincided with the meeting in Taif, the Saudi mountain resort, between Sheikh Ahmed Zaki Yamani, the Saudi Minister of Oil, and Sheikh Ali Khalifa al Sabah, his Kuwaiti opposite number. Sheikh Ali Khalifa headed the Organisation of Petroleum Export Countries, committee of experts which last month recommended the holding of an extraordinary ministerial conference to decide on an oil price increase of about 5 per cent from October 1.

The new rate is 3.35 riyals to the dollar, compared with the 3.37 announced on Sunday an dthough onl ya fractional adjustment of 0.6 per cent is the fourth since July 12 when the Saudi currency stood at 3.45.

In a parallel move Bahrain and the United Arab Emirates broadened the official fluctuation rates for their currencies from 2.5 per cent and 7.25 per cent—allowing a greater amount of movement before their monetary authorities are obliged to intervene to support the official rate.

Egypt borrows from Arab fund

By James Buxton

THE Arab Monetary Fund, which is to have a role in the Arab world comparable with that of the International Monetary Fund, has made its first balance of payments support loan. Egypt is borrowing $17.5m for three years at an interest rate starting at 3.75 per cent in the first year and rising to 4.75 per cent in the third year.

Discussions are now taking place at the Fund's headquarters in Abu Dhabi, with Sudan, which is expected to borrow $7.5m.

Sudan and Egypt are the two Arab countries with the most serious payments problems.

AUSTRALIAN POLITICS

Malcolm Fraser takes a lesson from Machiavelli

BY LAURIE OAKES IN CANBERRA

Mr. Malcolm Fraser

SENATOR Reginald Withers, upon being dismissed from the Australian Cabinet distributed to journalists and Liberal Party colleagues an extract from Machiavelli's The Prince.

It said: "Whoever is the cause of another becoming powerful is ruined himself: for that power is produced by him either through craft or force: and both of these are suspected by the one who has been raised to power."

Applied to Senator Withers' case, it was singularly apt, for he had done more than anyone else to make Malcolm Fraser Prime Minister.

The controversy will guarantee a fiery start to the new parliamentary session—a session which already promised to be difficult for the Government because of the political consequences of a tight clamp on public spending and increases in indirect taxes which were featured in the 1978-79 federal budget last night.

The ferment in the Liberal Party over the dismissal was demonstrated last week when a Minister in the Victorian state Government, Mr. Robert Dunstan, made emotional telephone calls to two Melbourne newspapers.

Mr. Dunstan, a prominent Victorian Liberal and state minister for public works, said that Mr. Fraser was ruining the economy, killing the building industry, and sacking his strongest and most loyal ministers.

"This man has gone mad," Mr. Dunstan said. "What does he want to be? The next Pope?"

The Prime Minister's staff shrugged off the incident, telling journalists that Mr. Dunstan had simply "dined too well." Nevertheless, Mr. Fraser was in contact with the Victorian Liberal premier, Mr. Rupert Hamer, next morning, and Mr. Dunstan was compelled to resign from the Hamer ministry that afternoon.

The issue which led to Senator Withers' downfall involved the process last year by which federal electoral boundaries were re-drawn in Queensland.

A Queensland Liberal backbencher, Mr. Donald Cameron, claimed that the Finance Minister, Mr. Eric Robinson, had used his position to influence the electoral commissioners with respect to his own seat of Macpherson.

Mr. Cameron's persistence first caused Mr. Fraser to dismiss him from the post of Deputy Government Whip in the House of Representatives, and then—when he still refused to let the matter drop—to appoint a Royal Commission into the affair.

The judge conducting the inquiry, Mr. Justice McGregor of the federal court, cleared Mr. Robinson but found that Senator Withers had acted improperly by making a suggestion to the electoral commissioners about the name of the electorate.

Mr. Fraser was placed in a difficult position. Senator Withers had done nothing illegal, and the breach of propriety described in the Royal Commission report was not a serious one.

But, because he played such a leading role in attacking alleged improprieties by the former Labour government, Mr. Fraser is extremely sensitive whenever similar allegations are made against his own administration.

So he decided that Senator Withers had to go. When the senator refused to resign, Mr. Fraser called together a group of senior ministers and got the backing of most of them to have his commission terminated by Sir Zelman Cowen, who took over as Governor-General last year.

Although Mr. Fraser expected some controversy, the extent of the criticism caused by the dismissal of Senator Withers has clearly surprised the Prime Minister, he is now preparing a detailed statement on the issue for presentation to Parliament.

A number of federal Liberal backbenchers appeared on television to attack Mr. Fraser's action in the days immediately following the sacking.

Senator Withers himself made no public criticism of the Prime Minister, instead he gave a non-attributable, background briefing to some 20 journalists which has resulted in a spate of unsourced but prominently displayed newspaper stories distinctly unflattering to Mr. Fraser.

Mr. Fraser is insulated from the crisis to some extent by the record majority he won in 1975 and held in a snap election at the end of last year. He has the added comfort of knowing he need not face the electors again until the end of 1980.

But his Liberal colleagues in the states are not so lucky. The Hamer Government must have an election before May next year, and if opinion polls are any guide it could find itself in trouble—a situation which helps to explain Mr. Dunstan's anger at Mr. Fraser.

In New South Wales (NSW) the state Labour Government is planning an early election in October, confident that it will increase its majority because of the unpopularity of Mr. Fraser's federal Liberals.

In a by-election in NSW two months ago, regarded as a trial run for a general election, there was a swing to Labour of 9 per cent.

After the frenetic style of the Whitlam years, politics under Mr. Fraser had seemed relatively calm until recently. But now, in the wake of the Withers controversy, it is obvious that Mr. Fraser has failed to achieve the goal which he publicly set for himself in the 1975 election campaign—to keep politics off the front page.

Part of the problem was reflected in Senator Withers' quote from Machiavelli and the clear feeling that he had helped Mr. Fraser to power.

In March, 1975, he had swung a number of crucial votes from Senate Liberals behind the Fraser bid to take over the Liberal leadership from Sir Billy Snedden. Without those Senate votes, Mr. Fraser would have failed.

Then, seven months later, it was Senator Withers as Liberal Senate leader, who executed the plot to force the Whitlam Labour Government to the polls by blocking appropriation Bills.

When Mr. Whitlam refused an election and tried to "tough it out," Senator Withers kept the Liberal numbers firm until, after a month-long stalemate, the then Governor-General, Sir John Kerr, stepped in and dismissed Labour from office.

Now Senator Withers, who was Administrative Services Minister and fifth-ranking member of the Fraser ministry, has been despatched to the back benches by the man he put into the Prime Minister's lodge, and neither he nor his supporters have taken it lying down.

Mr. Fraser may have made his biggest blunder since leading the Liberal-National Country Party coalition back into Government in December, 1975.

Sino-Vietnam talks resume under a cloud

BY RICHARD NATIONS BANGKOK, August 15.

CHINA and Vietnam resumed talks today in Hanoi over the status of the Sino-Vietnamese in an atmosphere soured by an increasingly harsh exchange of accusations.

A few hours before the talks were scheduled to resume, the New China News Agency reported that a strong protest had been lodged with the Vietnamese Embassy in Peking charging that a Vietnamese armed force had intruded last Thursday into China's Yunnan province.

In a broadcast over the weekend however Radio Hanoi had already countered the accusation by charging that 37 armed Chinese had provoked the incident by crossing into Vietnam and burning farmhouses.

Both sides have accused the other of stirring up provocative incidents over the past two weeks which could undermine the current talks which began last Tuesday. Another episode which underscores the tension and apparent mistrust surrounding the negotiations occured at a hotel in Hanoi where a number of Hoa (Vietnamese of Chinese extraction) were reported by the New China News Agency to be awaiting repatriation.

The Chinese claim that Vietnamese authorities used tear-gas and fire hoses last Friday against over 100 Hoa before removing them to an unknown destination. Radio Hanoi has denied maltreatment of the hotel residents, but alleged that agents of the Chinese embassy were responsible for inciting disorder.

The Vietnamese Communist Party Central Committee circulated an announcement today that one of the country's major tasks was "preparing for the defeat of a large-scale agression." China seemed to be impluied as the power with hostile intentions.

Reuter adds from Hong Kong: China and Vietnam later adjourned their second round of talks no nearer agreement on the position of ethnic Chinese in Vietnam.

Trade Development Bank Holding S.A.

Report of the Chairman of the Board to the Shareholders

As at 30th June, 1978 total consolidated assets of the Trade Development Bank Holding Group reached US$ 4,801.5 million compared to US$ 3,586.9 million as at June 30, 1977. Total deposits with our Group increased by 31% and amount to US$ 4,007.5 million as against US$ 3,051.7 million at 30th June, 1977. Total capital and loan funds, including the interests of minority shareholders amount to US$ 457.8 million at 30th June, 1978 compared to US$ 327.4 million at the same date the year before.

Net earnings after taxes, minority interests and transfer to inner reserves rose to US$ 16.6 million or US$ 1.01 per share as against US$ 13.2 million or US$ 0.80 per share for the first six months of 1977.

The Group completed the placing through Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, in accordance with a private placement agreement, of 25 year serial notes which will total US$ 30 million on 9th August, 1978.

Republic New York Corporation, of which the Group holds 62% of the capital, achieved excellent results during the first half of this year. Indeed, the corporation published net earnings applicable to common stock of US$ 10.0 million or US$ 3.20 per share as against US$ 9.2 million or US$ 2.94 per share for the first half of 1977. Total assets increased from US$ 2,137.4 million as at 30th June, 1977 to US$ 3,047.4 million as at 30th June, 1978.

The growth of the customers' deposits, whose amount and number expand year by year, is a good sign of the confidence placed in us.

An ever increasing clientele combined with a strong capital base and a highly selective approach towards investment enable us to look forward with optimism to the future of our Group.

31st July, 1978

EDMOND J. SAFRA
Chairman

Interim consolidated balance sheet as of 30th June 1978

Assets	30th June 1978 US$ 000's	30th June 1977 US$ 000's
Cash in hand and balances with banks	1,283,664	832,954
Bank certificates of deposit	363,248	400,168
Precious metals	*148,044	*75,841
Financial paper	443,602	341,516
Government and municipal bonds (USA and UK)	400,636	285,777
Other bonds	258,979	300,831
Current accounts and advances to customers	1,719,162	1,233,566
Investments	4,582	9,647
Fixed assets	46,658	56,089
Other assets	132,928	70,551
	4,801,503	3,586,940

*against which were forward sales of US$ 142,505,000 in 1978 and of US$ 70,881,000 in 1977

Liabilities	30th June 1978 US$ 000's	30th June 1977 US$ 000's
Deposits, balances due to customers and inner reserves	4,007,548	3,051,683
Other liabilities	336,151	207,824
	4,343,699	3,259,507
Capital and loan funds:		
Sinking Fund Notes 2002	21,100	–
Sinking Fund Debentures 2001	50,000	50,000
Sinking Fund Debentures 2002	35,000	–
Convertible Subordinated Capital Notes 1997	11,290	12,500
Other loans	40,000	40,808
Minority interests	99,215	44,715
Shareholders' funds:		
Share capital	24,605	24,605
Reserves	176,594	154,805
Total Shareholders' funds	201,199	179,410
Total capital and loan funds employed	457,804	327,433
	4,801,503	3,586,940
Contingent liabilities: Letters of credit and guarantees	195,690	163,226

For the 6 months ended 30th June

	1978	1977
Net earnings after tax, minority interests and transfer to inner reserves (US$ millions)	16.6	13.2
Earnings per share	US$ 1.01	US$ 0.80
Number of shares outstanding	16,403,300	16,403,300

Principal Subsidiaries

Trade Development Bank, Geneva - Republic National Bank of New York, New York

Other affiliates and offices in: Beirut, Bogotá, Brussels, Buenos Aires, Caracas, Chiasso, Frankfurt, London, Luxembourg, Mexico City, Montevideo, Nassau, Panama City, Paris, Rio de Janeiro, São Paulo, Tokyo.

NOTICE OF REDEMPTION

of

Ashland Oil Finance Corporation

(successor to Ashland Overseas Finance Corporation)

5% Subordinated Guaranteed Debentures Due 1988
Convertible into Common Stock of
ASHLAND OIL, INC.

Redemption Date: September 8, 1978
Conversion Privilege Expires: September 8, 1978

NOTICE IS HEREBY GIVEN that Ashland Oil Finance Corporation (the "Company"), a wholly owned subsidiary of Ashland Oil, Inc., a Kentucky corporation ("Ashland"), has elected to redeem, and will redeem, on September 8, 1978, all its outstanding 5% Subordinated Guaranteed Debentures Due 1988 (the "Debentures") in accordance with the terms of the Indenture dated as of January 15, 1968, among Ashland Overseas Finance Corporation, Ashland as Guarantor, and Morgan Guaranty Trust Company of New York, as Trustee, at the redemption price of 102.5% of their principal amount plus accrued interest from January 15, 1978. The Debentures were originally issued by Ashland Overseas Finance Corporation and, on June 28, 1974, all obligations thereon were assumed by the Company in connection with the merger of Ashland Overseas Finance Corporation into the Company.

Payment of the redemption price and accrued interest, which will aggregate $1,057.36 for each $1,000 principal amount of Debentures, will be made at the Corporate Trust Department of Morgan Guaranty Trust Company of New York, 15 Broad Street, New York, N. Y. 10015, or at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main), London or Paris, or the main office of Amsterdam-Rotterdam Bank N.V. in Amsterdam, or the main office of Banca Vonwiller & C. S.p.A. in Milan, or at the office of Banque de Paris et des Pays-Bas pour le Grand-Duché de Luxembourg, in Luxembourg. Debentures should have all coupons maturing on or after January 15, 1979, attached thereto when they are surrendered for redemption.

The Debentures called for redemption in accordance with the foregoing will no longer be deemed outstanding after September 8, 1978, and all rights with respect thereto will cease as of the close of business on September 8, 1978, except the right of the holders thereof to receive the redemption price and interest accrued to September 8, 1978. On and after September 8, 1978, interest on the Debentures will cease to accrue.

Debentureholders have, as alternatives to redemption, the right to sell their Debentures through usual brokerage facilities and the following further option:

CONVERSION OF DEBENTURES INTO COMMON STOCK OF ASHLAND

Until the close of business on September 8, 1978, Debentureholders have the right to convert their Debentures into Common Stock of Ashland ("Common Stock") at the price of $40 per share upon surrendering such Debentures with all coupons maturing on or after January 15, 1979, attached thereto at the Corporate Trust Department of Morgan Guaranty Trust Company of New York, 15 Broad Street, New York, N. Y. 10015, or the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main), London or Paris, or the main office of Amsterdam-Rotterdam Bank N.V. in Amsterdam, or the main office of Banca Vonwiller & C. S.p.A. in Milan, or at the office of Banque de Paris et des Pays-Bas pour le Grand-Duché de Luxembourg, in Luxembourg, together with written notice of election executed by the holder in the form provided on such Debenture, and specifying the name or names in which the shares of stock deliverable upon such conversion shall be registered, with the address of the person so named.

From January 1, 1978, through July 25, 1978, the prices of shares of Common Stock of Ashland ranged from a low of $27 to a high of $36 as reported on the Composite Tape for New York Stock Exchange listed securities. The last reported sale price of the Common Stock of Ashland on July 25, 1978, was $36 per share. At the present conversion price of $40 per share, each $1,000 principal amount of Debentures is convertible into 25 shares of Common Stock of Ashland, which shares had a market value of $900 at the close of business on July 25, 1978. No payment or adjustment will be made upon conversion of Debentures for interest accrued thereon. If the Debentures are redeemed on September 8, 1978, the holder of each Debenture will receive $1,057.36. If the market price of the Common Stock of Ashland were to exceed $42.30 per share at the time of conversion, Debentureholders would receive Common Stock upon conversion having a greater market value than the cash which they would receive upon redemption. The value of Common Stock of Ashland is subject to change depending on changes in the market value of such Common Stock.

Ashland's Board of Directors has declared a quarterly cash dividend of $.50 per share payable on September 15, 1978 to holders of record of Common Stock on August 14, 1978. Debentureholders who surrender their Debentures for conversion after August 14, 1978, will not receive such dividend.

The right to convert Debentures into Common Stock will expire at the close of business on September 8, 1978. No further conversion of the Debentures can be made after September 8, 1978. Debentures not converted prior to that date will be redeemed at the redemption price (including accrued interest) of $1,057.36 for each $1,000 principal amount of Debentures.

ASHLAND OIL FINANCE CORPORATION
By WILLIAM R. SEATON, President

Dated: August 4, 1978

AMERICAN NEWS

House passes foreign aid Bill with few amendments

BY DAVID BUCHAN — WASHINGTON, August 15.

THE CARTER Administration weathered an important test of its ability to achieve foreign policy objectives when the House of Representatives last night approved a $7.3bn Foreign Aid Bill, with only minor further cuts in U.S. contributions to the World Bank and other international lending agencies.

The House defeated an amendment proposed by Rep. Clarence Long, floor manager of the Bill, to cut U.S. contributions next year to the Inter-American Development Bank and the International Development Association (the World Bank's agency for soft loans) by $584m. This move by Mr. Long, who had earlier engineered a cut of $877m in contributions to the international aid banks, which he terms "the fat belly of foreign aid," was considered by the Administration to be a big threat to its credibility abroad.

President Carter, who yesterday took Congress to task for failing to pass much of his proposals on domestic policy, has recently had some success on foreign policy with Congress agreeing to lift it sban on U.S. armbs sales to Turkey; its decision not to force the President into early removal of sanctions on U.S. trade with Rhodesia; this following Congressional approval of sales of fighter aircraft to Egypt and Saudi Arabia; and ratification by the Senate of the Panama Canal treaties.

In the foreign aid vote yesterday, Mr. Carter had th esupport of the former Secretary of State, Dr. Henry Kissinger. He wrote to the Speaker of th eHouse, Mr. Thomas O'Neill, that the amount proposed for the international aid banks was "the absolute minimum needed if the aid programme was to support U.S. foreign policy and economic objectives effectively."

The Administration had also feared that—in addition to cuts in the absolute levels of U.S. contributions to the international agencies, and in particular to the World Bank and IDA—use of U.S. money loaned by the World Bank and IDA. Mr. Robert McNamara, the World Bank president had said that this would be unacceptable to the bank.

But the House only voted to forbid money to Cuba, which is not a World Bank member, and Vietnam. Proposed restrictions on aid to Uganda, Cambodia, Laos, Chile, Argentina, among other countries, were defeated.

But the administration has objected to the House decision to freeze $90m worth of aid to Syria until Syrian forces cease their actions against Christians in Lebanon. The State Department commented that this was not a help to efforts to make peace in the Middle East.

The Foreign Aid Bill now goes to the Senate, which is usually less restrictive about foreign aid than is the House.

Mr. Kjell Bjoerk

Salvador kidnap of Swede

The head of the subsidiary in El Salvador of the Swedish L. M. Ericsson telephone company, Mr. Kjell Bjork, 37, has been kidnapped, the company reported, John Walker writes from Stockholm. So far, neither the kidnappers nor their demands have been made known. A spokesman for the company in Stockholm said that this was the first time an Ericsson employee working abroad had been kidnapped.

Gold auction bids

The U.S. General Services Administration said it had received 19 bids for the 300,000 oz of gold it is auctioning for the U.S. Treasury, Reuter reports from Washington. Swiss Bank Corporation bid for 112,000 oz at from $213.23 to $211.04. Dresdner Bank of Frankfurt bid for 64,000 oz at $213.56, 32,000 oz at $213.73, 32,000 oz at $213.61, 32,000 oz at $213.51, 32,000 oz at $213.47 and 32,000 oz at $213.41.

Canadian inflation

Canadian consumer prices last month rose at the fastest rate in more than three years, up 1.5 per cent after a 0.9 per cent rise in June and a 1.4 per cent increase in May, Reuter reports from Ottawa. The July year-on-year inflation rate was 9.8 per cent, up from 9.2 per cent in June and the highest since November, 1975, one month after the Trudeau Government imposed wage and price controls, which it is now dismantling. The July index, base 1971, stood at 177.7.

NYC racial attack

About 20 white men shouting racial insults used baseball bats in an attack on two coloured women and three men in a Brooklyn Street, Reuter reports from New York. The victims, aged between 14 and 29, suffered bone fractures and other injuries before the club-wieldine gang fled. The attack resembled one earlier this summer when several youths with baseball bats attacked and injured five people in Central Park, New York.

Memphis troubles

Troops guarded strike-hit Memphis, Tennessee yesterday and tried to cope with a flood of Elvis Presley fans as firemen joined a police walk-out, Reuter reports. The mayor said that strikers were harassing other workers and trying to shut down the entire city. With fans pouring in for the first anniversary of the rock and roll singer's death, about half the city's 1,400 firemen ignored their union leaders and walked out in support of police pay demands. About 1,200 men of the Tennessee National Guard patrolled the streets and guarded 12 of 51 fire stations still open.

AMERICAN COMPANY NEWS

Store groups optimistic after quarterly advance; Pilots end North-West Airlines strike: Canadian Pacific up at half-way

—Page 20

Industrial output rises by 0.5%

BY OUR OWN CORRESPONDENT — WASHINGTON, August 15.

U.S. INDUSTRIAL production rose by 0.5 per cent last month, the Federal Reserve announced today. This was the same increase as that recorded in revised estimates for May and June.

Fed economists regard this essentially flat performance for industry — increasing at an annual rate of 6 per cent over the past three months following the large rises of 1.2 per cent in March and 1.6 per cent in April—as satisfactory. But they concede that increases in industrial production may tail off towards the end of the year, along with the overall growth rate of the economy which is not now expected to be more than 4 per cent this year.

The July production index is 4.8 per cent higher than a year earlier, with the increase in consumer goods at 1.3 per cent only and that for equipment 7.2 per cent higher. Fed economists say this was to be expected of the now rather ageing growth cycle in the U.S. economy, with consumer demand giving way to increased fixed asset investment.

Output increases in business equipment (up 0.9 per cent) and construction supplies (up 0.7 per cent) which together account for most fixed asset investment, led the increase in the July index. Durable goods materials output rose by 1 per cent in July, reflecting strong production in steel and equipment parts. But output of non-durable goods materials remained stagnant, largely because of strikes in the paper sector.

Overall production of consumer goods rose 0.3 per cent last month, while the output of car plants rose only fractionally from a seasonally adjusted annual rate of 9.3m vehicles in June to 9.4m in July. This coincides with the traditional switch-over in many car plants in the summer to new models before the new model year starting in the autumn.

Congressmen told of plot to kill Dr. King

A CLOSE friend of the late Dr. Martin Luther King has told Congressional investigators he believes that a conspiracy was behind the assassination of the civil right leader 10 years ago.

Dr. Ralph Abernathy, who took over from Dr. King ashead of the Southern Christian Leadership Conference, said Dr. King apparently knew "from some source" of the impending assassination attempt.

He told bte House of Representatives Assassinations Committee at the start of public hearings into the murders of Dr. King and President Kennedy that he had no independent evidence of a plot.

But he cited the fact that the convicted killer of Dr. King, James Earl Ray, was able to travel undetected for two months after the shooting which took place at a motel in Memphis, Tennessee in April, 1968. Ray was captured in London.

"I believe very firmly that it was a political assassination. I believe that it was a conspiracy, a nattempt to kill the drem of whites and blacks," said Dr. Abernathy.

Earlier, discussing the day Dr. King died, he said, many people felt that he had a premonition or maybe some knowledge.

Dr. Abernathy was with Dr. King on the motel balcony when he was shot but, Dr. Abernathy told the panel, was never questioned by federal agents or local police.

Reuter

Tighter control in Brazil of loans from abroad

BY DIANA SMITH — RIO DE JANEIRO, August 15.

THE MONETARY authorities in Brazil have imposed a further freeze on the conversion into local currency of foreign loans. Thus they have sought to postpone until next year an increase in the domestic money supply which would be caused by conversion now into cruzeiros of loans arriving from abroad.

The first postponement, of 30 days, was decreed in June. This was followed by a 120-day freeze in late July. Now, the period has been extended to 150 days—meaning that loans received on or after August 14 cannot be converted before January, 1979.

As a complementary measure, the authorities have again raised the interest rates on Treasury notes and bills to make the open market more attractive, and to attempt to mop up surplus cash.

The impact of foreign loans on the Brazilian money supply has increased in 1978, as both state-run and private enterprises resort to foreign markets for funds. Foreign exchange reserves in Brazil are now extraordinarily high, at $7.5528bn in April and estimated at close to $9Sbn now. (Figures are officially announced by the Central Bank thre months after the fact.)

The explanation given for this striking sum by the Treasury Minister, Sr. Mario Simonsen, is the wish to leave the next government, due to take office in March, 1979, with a "comfortable" sum in hand to meet the debt service obligations in 1980-1981. Meanwhile, the gross foreign debt is estimated at $38Sbn, with hints that it could reach $40bn by the end of the year.

Meanwhile, inflation continues to rise, provoked by rising food prices, although the latest wholesale price index figures were juggled so that the price of maize, a staple item, was included in the index at a set, rather than the market, rate to make the overall figure less inflated.

Continuing bad weather problems—now snow and frosts in the south, rather than the destructive droughts of the earlier part of the year—mean that rising food prices will continue to push up the cost of living.

The official inflation rate for the year ended last month reached 38.8 per cent and exceeded the government target by 3.81 per cent. There are few signs of improvement for the rest fo the year.

Bahamas fish clash

Ten lobster fishing boats manned by Cubans living in the U.S., part of a fleet of 30 alleged to be poaching in Bahamian waters have been seized by Bahamian gunboats, Nicki Kelley writes from Nassau. A 14-year-old boy aboard one of the essels was shot and critically injured when the lobstermen tried, it was reported to ram the three patrol craft. The Bahamas banned foreign commercial fishermen from its continental shelf in 1975.

CHILEAN PRESIDENT MANOEUVRES UNDER PRESSURE

Two strong cards still in hand

BY ROBERT LINDLEY, RECENTLY IN SANTIAGO

PRESIDENT Augusto Pinochet functions best when he is in trouble. He demonstrated this again in January when, under pressure from armed forces officers internally and from human rights groups abroad, he called for a lightning vote on the question of whether the Chileans supported him or not. General Pinochet won overwhelming support. But despite this he is now in the most serious trouble he has been in since he seized power nearly five years ago.

Last month, he successfully brought off the sacking of Gen. Gustavo Leigh both as Air Force commander-in-chief and as a member—the third most powerful—of the four-man military junta. But the victory was expensive. All but two of the remaining 20 serving Air Force generals either were forced on to the retired list by the expulsion of Gen. Leigh or resigned in sympathy with his call for a return to democracy in Chile within five years.

Now the U.S. State Department will ask for the extradition of three Chilean army officers, including an associate of the President, Gen. Manuel Contreras Sepulveda, for trial on a charge of murdering by setting off a bomb the former Chilean Socialist Foreign Minister, Sr. Orlando Letelier, and an American associate of his, Mrs. Ronni Moffit, who was also killed in the explosion. The incident occurred in September 1976. Gen. Pinochet gave another demonstration of his political skill by placing the three former functionaries of the now defunct secret service, Dina, under house arrest almost the minute the indictments were announced in Washington.

Gen. Pinochet's swift compliance with the terms of the 1902 U.S.-Chilean extradition treaty caused much surprise in Chile, where it had been generally expected that he would defy the Americans. The Chilean Supreme Court will now have to judge the merits of each extradition petition and make its decision. There are many doubts about the Pinochet regime's insistence that the judiciary in Chile is entirely independent, but the Carter Administration is not likely to ease its pressure on

Officers in the armed forces admit their fear of revenge by friends and relatives of their victims, should the military government disappear

Gen. Pinochet until it has received satisfaction over the extraditions.

Six weeks ago the U.S. Ambassador, Mr. George Landau, was withdrawn from Santiago because the State Department wanted more co-operation from Gen. Pinochet in the investigation of the murders. President Pinochet complied, and Ambassador Landau was back in the Chilean capital within a week. There were reports from Washington that President Carter would have broken diplomatic relations otherwise.

Can President Pinochet block the extradition of the three Army officers? There has been no denial of a report that nine of the 28 members of the Army's council of generals demand that Gen. Pinochet settle Chile's differences with the United States over the Letelier case, and also those with Argentina over the Beagle Channel boundary dispute, which could lead to war. Argentina has unilaterally declared null and void an international court's award to Chile of the disputed islands and waters, which are at the southern tip of South America.

There are those in the officer corps who would like to see General Pinochet got rid of, on the grounds that overnight Chile's bad image abroad would greatly improve. For these, of two tempting dates for getting rid of him are approaching: August 20, the bicentenary of the birth of the hero of Chile's independence from Spain, Bernardo O'Higgins — who resigned when discontent with his Government became generalised—and September 11, the fifth anniversary of General Pinocchet's coup d'état.

But the President has two strong cards to play. The first relates to the fact that Chile's middle class is the largest in relation to its total population of any country in Latin America —comprising some third of the country's 10m inhabitants. This middle class associates the Allende Government deposed by General Pinochet in 1973 with chaos. "The replacement of the military Government," the general said recently, "will be the end of Chile." In other words either me, or the chaos Chile's middle class so fears.

His second card relates to the terror which followed the 1973 coup. According to the World Council of Churches, 30,000 people were killed and 3,000 disappeared during the year following it. Although few political prisoners are left in Chile (the Government say there are none), the Chilean Roman Catholic church's Vicariate of Solidarity still lists 615 persons missing after having been arrested by security agents.

Armed forces officers, all of whom were involved in the public mind in the repression following the coup, admit their fear of revenge by the friends and relatives of their victims should the military Government disappear.

President Pinochet ascribes the pressures on him to "a little group . . . who have made me their target because I haven't opened the doors to the politicians by so much as a single centimetre."

His assertion that there is no political activity in Chile today is, however, untrue. All the parties—except the Marxist ones, which were outlawed at the time of the coup—are officially "in recess," but actually most are functioning more or less openly. The Christian Democrats, the largest party, have taken the initiative to establish a sort of a front with the Radical Party, which embodies Chile's social democrats, and was part of the late President Salvador Allende's Popular Unity Front. The Christian Democrats and the Radicals, together with the right wing of the divided Socialist Party, realise the futility—with Gen. Pinochet in power or out —of pushing for elections in the near future, and are trying to achieve something they call a "minimum consensus" for a transition period.

The two immediate aims of this embryonic opposition front are a revocation of the Government's more repressive measures and a change in the junta's economic policy, which is founded on the principles of the Chicago school of economists. In these aims they hvae the support both of the labour unions and of the Catholic Church.

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WORLD TRADE NEWS

Aeritalia and Boeing sign work-sharing agreement

BY PAUL BETTS — ROME, August 15

AERITALIA, the Italian national aerospace enterprise, today signed a major risk-sharing participation agreement with the U.S. Boeing group for the production and development programme of Boeing's new 767 medium-range passenger carrier.

The Italian group will be responsible for the construction of most movable components on the wings of the new aircraft and also for the radome or nose cone.

Aeritalia said it will build the wing control surfaces, wing trailing edge, flaps, leading edge, wing tips, elevators and the vertical tail rudder, which will amount to some 15 per cent of the 767 development programme.

The deal, signed in Seattle, comes after nearly seven years of discussions and stop-go negotiations between Boeing and Aeritalia.

Aeritalia, which currently employs about 10,000 people and was set up through the merger of the non-engine aerospace activities of the Fiat group and the aerospace activities of the State IRI-Finmeccanica group in 1969, is understood to value its share of the programme at some $2bn.

The deal also fulfils the Italian national industry's greatest ambition in the civil aviation field. For some time, Aeritalia has sought to lessen its dependence on the production of military aircraft which currently accounts for about 75 per cent of its turnover.

Aeritalia is also involved on the construction of body panels and tail units for the McDonnell Douglas DC-9 and DC-10 aircraft.

The Italian group said here today that some 100 Aeritalia engineers will be collaborating on the project with Boeing at Seattle as from next year.

Aeritalia now expects to receive some L150bn (about £100m) from the Government to go ahead with its co-operation with Boeing in the 767 project.

Aeritalia originally signed a co-operation agreement with Boeing seven years ago, and the Italian Parliament in turn agreed to give financial support to the Italian end of the programme.

The participation of Aeritalia in the 767 project is now likely to put pressure on Italy's national airline, Alitalia — which has already announced its intention to buy the 767's European rival, the Airbus — to switch to the new Boeing medium-range air carrier.

John Wyles adds from New York: The Italian agreement is expected to be followed by a similar arrangement concerning the 767 with a consortium of Japanese aircraft manufacturers, including Mitsubishi, Kawasaki and Fuji.

So far, Boeing's launch of the aircraft is based on an order for 30 units from United Airlines. Several other major U.S. airlines are expected to follow suit, although none has yet done so. The 767 is a 200-passenger, medium-range jet and the first aircraft are scheduled for delivery to United in mid-1982.

World Bank helps Sudan with $500m power plan

By Alan Darby — KHARTOUM, August 15.

WITH THE assistance of the World Bank, Sudan is putting together a $500m project to increase the country's electricity generating capacity and to modernise the distribution network. World Bank officials are now in Khartoum for talks on the project.

The World Bank is expected to contribute about $50m or $60m but Sudan must find $300m in local currency. The balance is expected to be raised among Arab financial institutions.

The British civil engineering concern, Sir Alexander Gibb and Partners, who built the Roseires Dam which generates about 70 per cent of the power distributed by the Blue Nile grid system is involved in the project which aims to meet Sudan's electricity needs until 1986.

About 85 per cent of the electricity distributed by the Blue Nile grid system, which serves Khartoum and the economically important central area, is generated by hydro-electric stations at Roseires and Sennar on the Blue Nile. Under the new project the Blue Nile grid will be linked with thermal stations in other towns, possibly throughout the country.

Dutch confident on fibres

BY CHARLES BATCHELOR — AMSTERDAM, August 15.

AKZO, the Dutch chemicals and fibres group, is confident the EEC Commission will finally approve a plan by the leading European fibre producers to reduce capacity. The plan put forward by the EEC Industry Commissioner, Viscount Davignon, has met strong opposition within the Commission.

Akzo, whose Enka fibres division is one of the big producers involved, has well-founded reasons to believe that the plan will be approved, if in a modified form, Akzo's administrat..e director Mr. Ruud Ovezall told a press conference.

The plan for a market-sharing cartel is not an attempt to interfere with the market mechanism. The market has already been distorted by subsidies given, notably in Italy, to increase capacity. The carted is an attempt to return the market to normal, according to Mr. Ovezall.

Viscount Davignon was not able to gain acceptance for his plan at the first try, but Enka believes agreement will come, he said. If the plan is approved this autumn, it is not expected to begin to show up in the fibre companies' results until the second half of 1979.

One element of the plan is to scrap excess capacity, as opposed to merely taking it out of commission. Akzo's extensive retrenchment over the past four years means that any new agreement to cut capacity would only have a marginal effect.

The scrapping of plant would have little impact on Akzo's asset position, since plant which has been shut down has already been largely written down in the company's books.

The EEC Commission decided in July to postpone further discussion of the cartel plan until October. It is then expected to analyse htc fibres industry's problems and to consider suitable solutions.

The Commission has strong doubts that the cartel would be authorised under the EEC's normal rules. Other measures, such as special aid from the EEC's regional and social funds to cushion the impact of redundancies would be preferred by one body of opinion.

Discussion of the plan began last autumn among the producers and a formula was finally worked out aimed at bringing capacity use up to about 94 per cent, a level at which profit should again be possible, from present levels of 60 to 70 per cent. European fibre industry losses have totalled more than $2bn in the past three years.

Akzo results, Page 20

Thermal plant for Jordan

TOKYO, August 15.

THREE Japanese companies have won a $85m export order from Jordan's electricity authority to build a thermal electric plant near Amman, announced the main contractor, C. Itoh.

The company said the other firms are Fuji Electric, which will supply two turbines, and Kawasaki Heavy Industries, which will make the boilers.

Reuter

Freightliner to market Volvos

By John Walker — STOCKHOLM, August 15.

VOLVO, the Swedish truck and car manufacturers, have signed an agreement with the American Freightliner Corporation, a subsidiary of Consolidated Freightways, to market Volvo trucks in the U.S. and Canada.

The agreement covers servicing and stocking of spare parts and will come into operation on January 1, 1979. It will give Volvo access to about 200 sales and service stations.

On the North American market, Volvo has sold more than 1,000 vehicles in the medium weight class. Sales this year are expected to rise to about 700 trucks. The total truck market for vehicles above the 15-ton class amounts to about 170,000 vehicles. Trucks in the 13- to 17-ton class, on which Volvo will concentrate, will cover the medium- and short-haul segment of the market and will account for about 30,000 vehicles.

● Massey-Ferguson announced that it is to supply $70m worth of tractor components to Iran, to be shipped mainly from its UK plants over the next 12 months. The components will be used by Iran Tractor Manufacturing to produce tractors in Iran, with the aim of achieving 45 per cent local content next year.

S. African investment in Israeli wharf likely

BY L. DANIEL — TEL AVIV, August 15.

A SOUTH AFRICAN group, Murray Roberts Holdings, is ready to invest in the construction of the new coal wharf which will have to be built near Hedera, where Israel's first coal-fuelled power station is now going up.

The group composed of Murray Stewart of Cape Town and Roberts Construction of Natal—appears to be the only serious contender as of now for the construction of the wharf, which will cost $35m to $100m, depending on how far out to sea it is located. The company has had a man in Israel for the past two years.

There has been no formal commitment as yet as no final decision has been taken so far by the Israeli authorities on whether the unloading of the coal should taqe place at Hedera or in Haifa port.

If Hedera is approved, Muray Roberts intend to organise an international consortium in which the Israel Government and or the Israel Electric Corporation are also likely to participate.

Murras Roberts would get a 25-year concession for the unloading of the coal. This contract could be terminated by the Israeli Government, it is learned from company sources.

Ushiba for U.S. talks

TOKYO, August 15.

JAPAN'S External Economic Affairs Minister, Mr. Nobuhiko Ushiba, said he will visit Washington on September 6 for three days of talks on trade problems connected with the multilateral trade negotiations.

Mr. Ushiba told a Press conference that the talks are expected to centre on U.S. demands for increased Japanese imports of American oranges and beef.

Agriculture Minister, Mr. Ichiro Nakagawa, will also attend the talks after a two-day visit to South Korea for Ministerial consultations, he said.

Reuter

Gas export outlook bright

BREMEN, August 15.

EXPORTS from major natural gas producer countries should more than double to 12.63bn cubic feet by 1985 from an expected 5.05bn in 1980 and against 2.16bn in 1977, the Bremen Institute for Sea Economics said.

The U.S. as the largest natural gas importer will have an estimated import demand of 1.82bn cubic feet in 1980 which is expected to rise 240 per cent to 1985, it said.

The West European requirement is seen at 1.63bn cubic feet by 1980 rising 77 per cent to 1985 while Japanese demand is put at 1.61bn in 1980 then rising 177 per cent to 1985, it said.

Algeria, which is the largest natural gas producer, is seen having gas exports at 6.65bn cubic feet by 1985, over half the total gas export market, and compared with estimated exports at 2.98bn cubic feet in 1980, the Institute said.

Reuter

Steel petition withdrawn

PITTSBURGH, August 15.

National Steel Corporation said it had withdrawn its anti-dumping petition charging manufacturers from six European nations with dumping steel sheets into the U.S.

The company said it believed the facts supported its allegations but added that further processing of the complaint would divert Treasury Department manpower which could better be used in the administration of the trigger price mechanism.

Reuter

JAPAN AND THE CARIBBEAN

Paying the price of parsimony

BY DAVID RENWICK IN PORT OF SPAIN

THE U.S. $120m or so a year in trade that Japan does with the 12-territory Caribbean Community and Common Market (Caricom) is now endangered by a determination on the part of some member states to "punish" that country for what is considered its parsimonious attitude towards financial assistance for the area.

The issue surfaced at the first meeting of the Caribbean Group for Co-operation in Economic Development in Washington earlier this year when Japan which attended and sat in on most of the discussions, declined to commit itself to any additional aid on a multilateral basis, at least for the first year of the newly-established Caribbean Development Facility.

The U.S. $112m pledged by individual donor countries and international agencies for the next 12 months was mainly offered by the United States, Britain, Canada and Venezuela, among others.

The Caricom feeling was succinctly expressed by Mr. Henry Forde, the Barbados Minister of External Affairs who declared after the meeting: "We did not find Japan, a rich and mighty nation, very forthcoming and we let it be known that Caricom would be discussing joint action in the matter, with a view to shutting Japanese goods out of the region, if necessary."

Antigua, one of the smaller regional territories, which was represented at the Washington conference by Mr. Lester Bird, its deputy Premier, has already decided to put all Japanese goods under licence, which means that special permission will henceforth have to be granted for imports.

While it is likely that further methods of "retaliation" against Japan will be undertaken, if it does not change its mind on the aid question, it remains to be seen whether a concerted Caricom position on the matter can be achieved, given the different interests, and stages of development, of the regional partners.

Japanese goods also still tend to have a slight cost edge on competing imports, despite the appreciation of the yen on foreign exchange markets, and Caricom countries, beset as they are with inflationary pressures, would presumably find it difficult to justify to businessmen and consumers the rise in prices that would result from having to switch to more expensive sources of supply.

Given Japan's reluctance to increase aid flows on a multilateral basis (its only contribution in this direction so far being a Japan Export-Import Bank $8.3m loan to the Caribbean Development Bank, none of which has yet been drawn down), one possible method of adjusting the imbalance between the two sides would be increased Japanese purchases of Caricom goods and a stepped-up programme of Japanese investment in the area.

The latter is the solution that tends to be favoured by the Trinidad and Tobago Government, which has the highest level of economic relations with Japan of any Caricom state. Trinidad and Tobago bought TT$165.9m worth of goods from Japan during January-October last year—8.8 per cent of all imports in the period. It has also floated a number of loans on the Japanese market, the most recent being a Yen 10bn 12-year bond issue, at 7.6 per cent.

Dr. Eric Williams, the Prime Minister, paid a rare (for him) overseas visit to Japan in November, 1974. This was followed by a trade mission in May 1975, led by the then Minister of Industry and Commerce, Mr. Errol Mahabir.

The mission's efforts could not be described as wildly successful —Trinidad and Tobago's exports to Japan were a mere TT $1.2m in January-October last year, leaving a balance in Japan's favour of TT $164.7m—but, in the near future, the country will be producing the more sophisticated kind of product for which there may be greater demand in the Japanese market, such as steel, liquefied natural gas (LNG), fertilisers and methanol.

This type of industrialisation, based on the availability in Trinidad of natural gas and cheap energy, is not likely to be emulated elsewhere in Caricom, where indigenous energy resources are limited (as in Barbados) or extremely expensive to exploit (as in Guyana), so the better option for most Caricom members is probably to attempt to attract exchange flows in the form of direct Japanese investment. Differences in foreign investment policy, however, may not make this alternative appealing to all.

Although the Manley Government in Jamaica, under its recent agreement with the IMF, seems more prepared now to welcome foreign capital, including that from Japan, than it has been for the last few years, the stand of the Forbes Burnham Government in Guyana is still officially one of extreme caution, even mild hostility, towards direct external investment.

Trinidad and Tobago, for its part, is willing to accept Japanese capital on the basis of joint venture investments with the Government or local companies.

Joint arrangements could possibly also extend to fishing ventures in the Caribbean region. The Antigua Government has already warned that it will take steps to stop Japanese trawlers from operating in its waters.

Since small territories without back-up naval facilities would find it difficult to make this kind of threat effective, it seems the best approach would be not to try to beat the Japanese but to join them in joint exploitation of regional fishing resources.

هكذا من الأصل

A bit of a wolf in sheep's clothing.

A motoring writer recently described our new two litre saloon, the Fiat 132, as a bit of a wolf in sheep's clothing. Obviously he found the body shape too quiet for his taste.

Well it certainly doesn't look like something out of 2001, we agree. But to our eyes it's unostentatious, classical and restrained.

Perhaps, though, he was alluding to the interior of the 132. Did he find it indulgent, plush and over-protective from the harsh realities of the road?

Could be.

Though others have said it's surprisingly comfortable and well-equipped with one or two original touches - sun vizors that slide into the roof out of harm's way, for example.

However, there can be no doubt about the wolf bit. When you switch the engine on it positively growls.

A twin cam, fast breathing engine with a progressive twin choke Weber carburettor delivers 112 bhp and a top speed of 106 mph.*

FIAT

For an information pack with the full specification road test, colour choice and details of our Mastercover warranty, write to the address below.

If you are also interested in our Fleet leasing scheme, let us know and one of our representatives will come to discuss it with you.

*(Source of figures: Fiat SpA)

The Fiat 132-two litre.

FOR YOUR INFORMATION PACK WRITE TO: FIAT INFORMATION SERVICE, DEPT FT1, P.O. BOX 39, WINDSOR, BERKS. SL4 3SP. FIAT 132 2 LITRE £4494.59. PRICE INCLUDES CAR TAX, VAT AND FRONT SEAT BELTS, BUT EXCLUDES NUMBER PLATES AND DELIVERY CHARGES. PRICE CORRECT AT TIME OF GOING TO PRESS.

HOME NEWS

Australia air fares may be reduced soon

By Michael Donne

AIR FARES between Britain and Australia will be substantially reduced soon—perhaps by the New Year—according to Mr. Peter Nixon, Australian Transport Minister.

The present cheapest scheduled service fare between London and Sydney is the £450 economy advance purchase Excursion fare, but it is understood that the rates now planned will be substantially below that level.

Mr. Nixon, speaking in the Federal Parliament in Canberra, declined to say what the new fares would be, because although "very satisfactory" discussions had been held with the U.K. on them, Australia was still negotiating with the U.S. on trans-Pacific fares and with South-East Asian countries on the UK/Europe-Australia rates.

He confirmed, however, that the new rates would be "much cheaper than anything available today."

One of the problems still in the way of the cheaper fares is the attitude of countries such as Singapore, which wants to ensure that any new cheap fares on the UK-Australian route continue to provide for the "Singapore stopover."

This is a system whereby, for a small extra amount, a passenger can stop off for up to 48 hours en route, with either free or very cheap hotel accommodation, and other discounts. Singapore, in particular, gets much of its tourist traffic from this facility.

Approval

Malaysia offers comparable stopover rights for en route travellers, and both countries are determined to protect their tourist trade. Since almost all flights between the UK/Europe and Australasia pass through either Malaysia or Singapore, their approval for cheap fares is essential.

One of the rules relating to cheap fares has been "no stopover rights," for example on the advanced purchase excursion fare between the UK and Australia. The South-East Asian countries fear that if this rule is also applied to the new cheap fares, their own tourist traffic will be substantially reduced.

● Further talks between the UK and Scandinavia on new air routes will be resumed in Copenhagen on September 24. This will be the fifth round in the series of talks that began in Oslo in June. The last round was in London last week, and was inconclusive.

The Scandinavians want only one airline from each country to fly between them, but the UK is seeking new routes for several airlines, including British Caledonian.

Rails imported by British Steel

BY JOHN LLOYD

THE British Steel Corporation has had to import between £2m-£3m worth of rails from France in order to keep supplies flowing to British Rail at pre-arranged levels.

More than 10,000 tonnes of rail has been bought by the Corporation from Sacilor, one of the largest French steel companies. The Corporation has a contract to supply British Rail with £30m worth of rails a year.

British Rail said yesterday that the Corporation had met its target delivery dates for the rails. British Rail is replacing existing track with continuously welded steel rails, which reduces noise.

Most of the rails normally are supplied from the Corporation's Workington plant, which produces about 5,000 tonnes of rail a week.

Policy

However, a dispute about productivity in the plant, which has been going on since last November, has resulted in go-slow action by the Iron and Steel Trades Confederation.

The Corporation said that the go-slow had seriously affected production.

Normal production at Workington has been resumed this week after a two-week holiday at the plant. Talks are going on to settle the dispute.

Importing steel products from other countries is in line with the corporation's policy.

Sir Charles Villiers, chairman, has said that suppliers would not suffer as a result of industrial disruption or hold-ups in the corporation's plants.

Imports of steel have been rising steadily over the past two years. The level of imports for the second quarter of 1978 was 890,000, the highest since the last quarter of 1976, when it was at the same level.

Details of new system for life insurance premiums

BY ERIC SHORT

DETAILS OF the new system under which life policyholders will pay their premiums net of tax were given yesterday. Provision for the change, due to start next April, was made in the 1976 Finance Act and the necessary regulations have now been published.

Under the present system, life policyholders pay premiums gross to the life company. They then claim tax relief from the Inland Revenue — providing their policy qualifies for relief — by having their tax codes adjusted. The rate of relief granted is at basic rate only on one half of the amount of the premiums.

The new system proposes that policyholders automatically get the tax relief, irrespective of whether they pay tax or not, by paying premiums to the life company net of tax at a rate fixed at 17½ per cent. The life company will claim back the tax element from the Inland Revenue.

Arrangements have been made so that this reimbursement will be on a monthly basis and the procedure should ensure that any deficiency in the life company's cash flow is minimal.

The new system also extends the limits to which tax relief applies. Previously, the limit was one-sixth of total income. Now the limit is either one-sixth of income or £1,500, whichever is the greater.

In order to determine eligibility, life companies will have to ask further questions on the proposal form and seek additional declarations. The regulations set out procedure for life companies.

Another problem thrown up by the change related to premiums paid by banker's standing order, direct debit or deduction from pay. Banks and employers deducting life contributions from employees' salaries have agreed to make the reduced payments without fresh authorisations from policyholders, but some life companies could still ask policyholders to complete new authorisations.

On industrial life assurance, where premiums are collected by agents calling regularly at policyholders' homes, special arrangements have been made for small premiums to keep the level of premium unchanged and increase the benefits.

This new system originally formed part of the tax credit system proposed by Conservative Government in 1972. At the time of the introduction of the new scheme in 1975 as part of the IMF package, it was stated that it would save 1,500 jobs in the Civil Service. The Inland Revenue still claim that more than 1,000 jobs will be saved.

The life companies themselves claim that the cost of changing administration procedures has cost the industry at least £10m collectively. The Life Offices' Association yesterday issued a background memorandum describing the new system and has produced a leaflet explaining in simple terms the effect of the changeover

The Income Tax (Life Assurance Premium Relief) Regulations 1978 SI No. 1159 SO price 25p.

A New System for Receiving Your Life Assurance Tax Relief, issued by The Life Offices' Association, Aldermary House, Queen Street, London EC4N 1TP.

NEB's trade secrets pledge

BY MAX WILKINSON

THE National Enterprise Board said yesterday that it would not want its semiconductor subsidiary to make improper use of its rivals' trade secrets.

The statement follows reports of a law suit between the Texas semiconductor company Mostek and the new NEB offshoot, Inmos.

Mostek has issued a writs to try to prevent five of its former executives from using trade secrets outside the company. All five have been hired by Inmos.

Originally, Mostek took out injunctions aimed to make it more difficult for the executives to change jobs, but this application appears to have been rejected at a hearing in chambers.

The dispute centres on the designs for a 64,000-element random access memory (RAM) component to be used in computers. Most of the major semiconductor companies are now in the race to develop the first of these memories, and the NEB's entry into the mass production of semiconductors is based on plans for this component (the 64k RAM).

A statement from the NEB said that it had not so far received any official communication on the legal proceedings.

However, the board says: "The NEB can confirm that it would not be its policy to countenance the improper use by Inmos of tradep secrets of roprietary information."

The outcome of the dispute is likely to be watched with intense interest by U.S. semiconductor companies since most of them, including Mostek, were formed by "splinter groups" of executives who broke away from parent companies to set up on their own, often with the help of venture capital.

The success of the new companies was inevitably based to a large extent on the detailed expertise which the founders had gathered in their former employment.

Inquiry called on UK poster industry

By David Churchill

THE SUPPLY of roadside advertising services in the UK is to be referred to the Monopolies Commission by the Office of Fair Trading.

It has written to about ten major companies in the industry—including Mills and Allen and the London and Provincial Poster Group—as well as trade associations and other organisations asking for comments on its draft terms of reference for the inquiry. The companies concerned have been given until September 8 to reply.

Their replies will then be taken into account when the Office of Fair Trading asks the Commission to investigate the industry.

The British poster industry accounts for just under 4 per cent of all media advertising expenditure, with current spending around £50m a year.

The Office's decision to initiate a Monopolies Commission inquiry—which is likely to take up to two years—appears to be based on the development within the industry of a consortium of eight leading companies to manage poster advertising nationally.

Compete

The consortium's operating company—British Posters—was formed in 1971 to provide a national advertising service. The individual companies did not have the resources to provide the national service required by advertisers for major campaigns.

British Posters was therefore formed to provide this service while still allowing the individual companies to compete in areas where they were strongest. Last year British Posters' revenue reached £8.3m.

Fraser appeals against SUITS conviction

By Our Scottish Correspondent

SIR HUGH FRASER, deputy chairman of Scottish and Universal Investments (SUITS), has launched an appeal against his conviction under the Companies Act for failing to give a true and fair view of the company's affairs.

A month ago, Sir Hugh was fined £100 on the charge, which concerned the misclassification of a £4.2m loan in the report and accounts. No date has yet been set for the appeal hearing.

Mr. William Forgie, a former director of SUITS who was fined £75, is also to appeal. No notice has yet been lodged on behalf of the third accused, Mr. Angus Grosart, who was also fined £75.

Mr. Grossart is also a former director of SUITS.

● NEWS ANALYSIS—THE CHRYSLER TAKEOVER

Dealers on the marque to retain all outlets

BY MICHAEL CASSELL

TIME WILL test assurances from France that the distribution operations supporting the companies involved in the proposed Peugeot-Citroen / Chrysler deal will be preserved intact — but the respective dealership networks in the UK clearly hope this will be the case.

While most of the attention at Government and union levels understandably is concentrated on the impact of the acquisition on manufacturing capacity and jobs, the future of the respective marketing operations in this country would have to be resolved if the deal goes through.

All three marque names have behind them well-established, independent distribution and marketing organisations in the UK and yesterday all were making it clear that they wanted things to stay just as they are.

Peugeot expressed the feelings of its "other half" in emphasising that neither distribution opeartion in this country believed it would have achieved the same level of sales and market penetration if they had worked together. Chrysler said it expected its sales network to remain a separate entity, although it could not dismiss the possibility that it might eventually be handling Peugeot and Citroen models.

Chrysler, understandably, has the largest distribution network of the three for its models. The group has about 650 dealers in the UK, of which 400 represent larger operators dealing directly with the manufacturer. The remainder tend to be smaller companies, many of which are serviced via the main dealers.

The Chrysler dealership organisation in the UK employs about 23,000 people and handles the full range of Chrysler and Simca cars, including the Alpine, Avenger, Sunbeam, and Hunter models. The operation ranks third in size behind Leyland and Ford and last year group sales in the UK accounted for 6 per cent of the domestic market. Sales are running now at about 7 per cent of the total.

Both the Peugeot and Citroen distribution networks in the UK are of a comparable size, although at the moment they have different characteristics and have maintained their independence despite the integration of the two companies in France in early 1976.

Peugeot has 226 dealers selling its products in the UK and is looking for more. It wants to find at least another 30 or 40 to join its two-tier system of regional distributors and local dealers. On January 1, 1979, however, the system is being overhauled and all dealers will have "direct status."

All equal

The majority of Peugeot dealers handle the company's cars exclusively and it will appoint a multi-franchise dealer only if it does not involve the selling of more than one manufacturer's vehicles from the same source.

Peugeot dealers in the UK offer 19 basic model options in the private car sector, ranging from £2,395 to £9,227.

In the first seven months of this year, the dealer network sold 15,446 cars against 13,056 during the same period of 1977. The company also sells a limited number of light commercial vehicles in the UK.

Citroen has 234 dealers in this country and operates the type of single-tier "all dealers are equal" system due to be adopted next year by Peugeot. The company expects to build the present number of dealerships up towards the 300 mark.

Citroen in the past has pursued a policy of solo or exclusive dealers, but it says that suitable dealers are in short supply—there are twice as many outlets selling motor cars of all types in France than in the UK—and that there is some swing back to multi-franchise operators as high-quality dealers are sought.

Citroen also markets 19 basic model options in the UK, including estate vehicles, with a price range from £1,767 for the popular 2CV to its Prestige saloon at over £9,000. In the first seven months of this year, Citroen sold 17,474 private vehicles in this country against 13,098 in the same period of 1977.

The extent to which these separate distribution organisations, in the event of a take-over, would be able to maintain and justify their own independence is not at all clear.

The new group would have on its hands a large and often conflicting range of small and medium size family saloons and the future role and status of the three, quite separate, marketing operations in the UK could be decided by the extent of any rationalisation which followed the formation of the biggest motor manufacturer in Europe.

Concannon replies to critics of DeLorean car venture

BY OUR BELFAST CORRESPONDENT

MR. DON CONCANNON, the Minister responsible for Industrial Affairs in Ulster, took the unusual step yesterday of issuing a public statement to reply to criticism of the Government's decision to pump £45m into the DeLorean sports car plant for West Belfast.

He said the decision to commit funds to the venture, which represents an overall investment of £65m, was not taken lightly.

Mr. Concannon said that because of the project's magnitude, the process of evaluation which led to Government approval was particularly thorough. It covered not only those points raised by various commentators since the announcement was made but "many more besides."

The Northern Ireland Department of Commerce, for which Mr. Concannon is responsible, regards the DeLorean Motor investment as a major coup in the search for new industry, and officials are understood to have been disappointed by the sceptical reaction the announcement has brought.

Mr. Concannon made clear that the cost of the project had not increased since Mr. Mason, Ulster Secretary, announced it. The figure of £65m stood at the total value, he said. Costs of "pre-production activities" incurred beforehand were funded entirely from private sources and were, therefore, outside the recently-announced arrangements.

Mr. Concannon said the invitation issued to American car dealers by Mr. John DeLorean to provide funds on the basis that their investment was a grave risk, was made in the terms required by the Securities and Exchange Commission.

It was issued before the project was developed and at a time when there was no assurance that it would eventually be adequately funded and go forward.

In spite of this, the dealers displayed their confidence in the promoters and the product by responding in encouraging numbers, he said.

The decision to fund the ambitious project at a site in the mainly Roman Catholic area of Twinbrook, on the edge of Belfast, has also brought criticism from hard-line Protestant elements in the province.

The Suffolk Punch is cheaper to run than a milk float—that's horse sense

BY JOHN GRIFFITHS

THE SUFFOLK Horse Society celebrated its centenary last year in the unusual position of having its two-legged members outnumber the objects of their affection by nearly three to two.

Fifteen years ago, however, about the only function the society looked like holding was a wake. For the Suffolk, an amiable, chestnut brown barn door of a horse bred originally for tilling the heavy clay soils of the county, was down to a precarious 100 in numbers and seemed about to be ploughed under by the tractor for good.

The breed is still far from numerous. There were a little over 300 Suffolks—known also as Suffolk Punches—in Britain at the last count. That is just one-tenth the number of the taller, longer-haired and better-known Shires which are so much a hallmark of the brewery trade, and considerably fewer than the Clydesdales and Percherons which together comprise the rest of Britain's heavy horse population.

WORKING BRITAIN

But for a number of reasons the Suffolk breed can be said to be at least back on its quite dauntingly large feet, if not quite in a position to kick its mechanical rival anywhere that might seriously hurt.

Roger Clark, whose 10 Suffolks at his Stoke by Nayland farm near Colchester include the breed champion stallion at Warwickshire's Royal Show for the past three years, attributes the revival in the horse's future to a mixture of nostalgia, a re-emergent viability of the Suffolk for at least some farm and haulage functions, and to a desire for conservation of the species.

Riding on the back of all three, however, is the factor most likely to ensure that numbers will increase: surging prices as a result of escalating demand from home and abroad—particularly the U.S.—which breeders at the moment are in no position to meet. "We can't even satisfy the home market, let alone the Americans," says Clark.

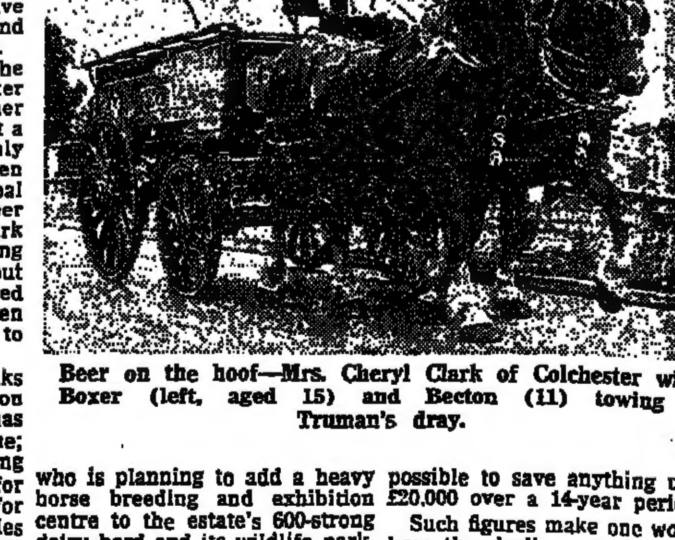
The first pair of mares Roger Clark bought, in the mid-sixties, cost him about 50 guineas each. A good brood mare now will fetch up to £2,000. Foals have been fetching up to £1,000, and prices are continuing to climb.

One of the reasons why the population has not grown faster is that, in common with other heavy horses, the Suffolk is not a particularly fertile beast: "only about 60 per cent of mares taken to stud actually produce a foal in any year against over 90 per cent for the lighter horses," Clark says. Since Britain's breeding mares still number only about 100—some 30 foals were produced last year—the gap between demand and supply is likely to stay wide for some time.

One or other of Clark's Suffolks is on permanent haulage duty on the farm; the prize stallion has his own ways of passing the time; the other eight are a changing population of bought-in stock for re-sale, animals being broken for their owners, or which fulfil roles on the show circuit—"our shop window," says Clark. Occasionally they put in an appearance between the shafts of a Truman's brewery dray at carnivals and similar occasions.

Traditionally, however, the Suffolk has been a farm horse. The majority of horse-using breweries such as Young's and Whitbread employ the Shire. Truman was the last big brewer to use the Suffolk, but they were phased out two years ago. "And yet," Clark says, "the amusing thing is, since they've sold them, they've used the horses for advertising more than they ever did when they actually owned them."

National Farmers' Union officials discern a definite revival of the Suffolk and other heavy horses' usefulness, on cost grounds, for a number of tasks both on and off the farm—a view shared by John Taylor, managing director of the 1,000-acre Cricket St. Thomas estate in Somerset, who is planning to add a heavy horse breeding and exhibition centre to the estate's 600-strong dairy herd and its wildlife park.



Beer on the hoof—Mrs. Cheryl Clark of Colchester with Boxer (left, aged 15) and Becton (11) towing a Truman's dray.

Mr. Taylor quotes the milk business he knows well as an example: "Once fuel and vehicle prices started to accelerate seriously, the milk round almost killed the small producer doing his own selling."

The alternative chosen by Mr. Taylor himself at the time was the now ubiquitous electric float; but he visualises that it is in areas such as this that the Suffolk and its kind has the potential to give four wheels a run for their money.

"The economics are fairly obvious," says Taylor. "Take a typical vehicle costing £7,000 or so, and having a useful working life of seven years. Add on the costs involved in maintenance, road tax, etc. Then consider that you can buy a four-year-old horse plus harness plus dray for about £4,000 with a working life of at least 14 years. Even allowing for the cost of feed and care for the horse, it should be possible to save anything up to £20,000 over a 14-year period."

Such figures make one wonder how the decline set in in the first place. "Trouble is," says Roger Clark, "in the late forties and early fifties everybody wanted to get out of horses and into tractors, often, I think, because everybody else was doing it. Now the wheel has simply turned full circle and everyone wants to be involved with horses again."

However, even the Suffolk, with a performance which saw last year's national pulling champion accelerate a 2¼-ton load from nought to 22 ft up the road in four seconds, can hardly be expected to match the modern tractor's ability to drag a seven- or nine-furrow plough all day at the larger farming units on which Britain is coming to depend.

One farm in Sussex does use the one-ton horses exclusively, but the one- or two-furrow ploughs traditionally pulled by the horses is uneconomic for all but the smallest farms. Experiments are going on in the States with eight-horse teams pulling a variety of tractor implements, but it is a practice yet to be tried seriously in Britain. One advantage that the heavy horses do have is that on the farm they can still operate on sticky soils and in conditions that would halt a tractor in its tracks: a big help, for instance, in taking fodder to hard-to-get-at grazing sheep.

Nevertheless, the sheer pulling power of the Suffolk has served to land it in some unlikely places. Slightly less tall than the Shire at an average 16-17 hands, its strength derives from its massive depth of chest which makes its point of draught lower and hence its leverage that much greater

In the past, Suffolks have found their way to the farms of Chile, Argentina, South Africa and Australia. Recently, one of the few animals which has gone for export left for Pakistan, where it will boost the Suffolk-based stock of horses which even today lug the government's artillery around mountain borders.

In the final analysis, however, it is primarily the growing concern that such an unarguably noble animal, so much a part of the eastern counties' farming tradition, should not be allowed to disappear that has saved the Suffolk. Those who raise them and live with them display a pride in, and attachment to, the horses which clearly extends far beyond economics.

Bill Woods, now 82 and secretary of the Suffolk Horse Society for 60 years, is quick to point out the Suffolk as being "the oldest, purest breed in the country." He has a point: all today's Suffolks can trace their male line descent back in an unbroken chain to one horse foaled in 1760.

Army can recruit 4,000 more

By Michael Donne, Defence Correspondent

THE ARMY has been given Government approval to recruit another 4,000 in 1978-79, in addition to the 1,900 additional troops authorised last February.

This increase is needed to help reduce the over-stretch apparent throughout the Army — and especially in the British Army of the Rhine, where the normal strength of about 55,000 is 3,750 short because of deployment of troops to Northern Ireland.

About half of the 4,000 will go to the Rhine army, where a new unit of battalion size will be formed, in order to release an infantry battalion for deployment to the UK. This will increase the pool of units available for emergency tours in Northern Ireland and elsewhere.

The higher rate of releases from the Army in recent months, together with a low level of recruiting, both due to dissatisfaction over pay, have contributed to the Army's manpower shortage.

The recent restructuring of the Army also has had adverse effects, with some units finding it difficult to meet all the demands made.

Furthermore, the Army is taking on new equipment which will require additional personnel, and also will be required to give more support to the RAF and Navy in future.

Merseyside goes for fare increases

MERSEYSIDE council council decided yesterday in the face of strong Labour opposition to apply to the north west traffic commissioners for fare increases on buses, trains and ferries with effect from October.

The increases would average 12½ per cent and would help to raise another £3m demanded by the Government.

Council members were told that there had been a 16 per cent drop in the number of bus passengers following fare increases over the last four years and a new increase would lead to a further decline of 4 per cent.

The new fares, if approved, would come in during a re-organisation of the bus service involving taking 170 vehicles off the road in an attempt to save an additional £2.75m.

Petroleum gas may be stored more safely

BY KEVIN DONE, CHEMICALS CORRESPONDENT

A POSSIBLE breakthrough in the storage and transport of liquid petroleum gas to make distribution much safer has been confirmed by the Expanded Metal Group.

If further research and development work is successful, the new system could be used for road tankers carrying liquefied gases, such as propylene, the chemical which exploded and killed more than 150 people at a Spanish camp site recently.

The technique uses a special expanded aluminium foil packing inside the storage vessels. The containers are also coated with a fire-screen paint which expands under heat.

In the latest field tests, highly explosive quantities of ethylene oxide contained in a steel sphere were ignited internally by remote control.

Expanded Metal claims that the foil packing acted either to eliminate the explosion or contain it within safe limits. The honeycomb of aluminium foil packing is both light and extremely thin and displaces only a marginal amount of the liquid stored in a tank.

Marine Midland drops Stern scheme 'freeze'

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

Marine Midland, the U.S. bank that recently pulled out of the three-year-old scheme arrangement to break up Mr. William Stern's former £200m property empire, is understood to have dropped moves legally to "freeze" the scheme's management accounts.

Last month the bank, which was initially owed about £10m by Stern companies, was the first major creditor to abandon the scheme.

The arrangement, covering 51 of the 65 property companies wihtin the Stern group that collapsed in 1974, involved a loan moratorium and a creditos' agreement to allow the steady and orderly disposal of Stern properties under the management of City accountants, W. H. Cork Gully.

Marine Midland made it clear that it had been satisfied with the management of the scheme when it decided to take back into direct management the properties on which its Stern loans are secured. But it is understood that the move might have involved the "freezing" of management accounts neded by Cork Gully to run thes cheme.

Now, the U.S. bank appears to mave decided not to proceed with legal action that would put the management accounts into a temporary legal limbo.

Training boat unveiled by Redifon-Watercraft

BY PAUL TAYLOR

THE FIRST purpose-built maritime training vessel was unveiled in London yesterday by its joint developers, Redifon Simulation and Watercraft.

Redifon, part of the Rediffusion group, and shipbuilders Watercraft, have spent two years developing the vessel which is designed to provide a low-cost bridge between land-based simulation training and on-ship experience.

The major markets for the vessel are expected to be in the Far East, Middle East, West Africa and South America where there is an expanding need for effective ship training among the developing nations.

Orders for two vessels, priced between £280,000 and £320,000 each, including standard training equipment, were announced yesterday although details of the buyers is being kept secret until contracts are formally signed. Later this week the Royal Navy is to inspect the craft.

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FINANCIAL TIMES REPORT

Wednesday August 16 1978

Copper

Copper prices have remained surprisingly low considering the firmness of world demand and disruption of supplies in some of the major producing countries. There is anxiety about the future unless a better world agreement can be reached on pricing and marketing.

Concern over future supplies

By John Edwards Commodities Editor

"BUSINESS IS better, but prices are still miserable." That is how one leading U.S. producer recently described the copper market and few people in the industry would disagree Although consumers are pleased to be able to buy copper at low prices, they are worried about future supplies after four years of gross surplus since the 1974 boom.

On the face of it copper prices should have moved substantially higher during the past year. There have been severe supply disruptions from three of the leading exporting countries—Peru, Zaire and Zambia.

Producers in many other parts of the world, notably North America, have been forced to cut back output sharply because of the low prices, and there is currently a world shortage of concentrates as a result of smaller mines, lacking their own smelting facilities, deciding to close down. Stocks of refined copper held in the London Metal Exchange have plunged by over 150,000 tonnes this year too.

Demand for copper has been expanding, albeit somewhat slower than hoped, and is now only just below the record levels reached in 1973. Indeed the Commodities Research Unit is predicting that world consumption of refined copper this year will top the 7m tonnes mark for the first time ever.

Yet current prices in London and New York remain at much the same uneconomic level as a year ago and in real terms, allowing for the fall in the value of the dollar and sterling against other currencies, are significantly lower.

Negotiations for an international copper agreement, leading to price stabilisation, have so far failed completely. Frequent talks, held under the auspices of the UN Conference of rade and Development, have not even been able to reach agreement on setting up a joint producer/consumer study group. Copper is one of the ten "co " producers under the UNCTAD integrated commodities programme seeking a new economic order, so efforts are likely to continue.

But it seems fairly plain that any international price stabilisation scheme is going to require a radical change of heart both by producers and consumers and is unlikely to materialise for a long time yet, if ever. Alternatives, such as including copper within the Lomé Convention as suggested by the West German Chancellor, are unlikely to get off the ground either, if only because of disagreement amongst the producers themselves.

Meanwhile prices have become more destabilised with the move by Kennecott, the biggest US domestic copper, to abandon its traditional fixed producer price system and base its price on the "free" market quotations in New York. Its decision to take this radical step was caused by a huge inflow of copper imports into the U.S., which jumped to 326,000 short tons in the first half of 1978, double the amount imported in the first half of 1977 when total imports for the whole year were 390,000 tons.

This move by Kennecott has not only effectively cracked the North American producer price system, but also means that exporters will have to switch back their main selling efforts to Europe and Japan, as well as the growing markets in developing countries.

Supplies to these markets have already been cut back by the invasion of Zaire, that is likely to mean significantly less copper—at least for a while—from the Kolwezi mines once the existing supply pipeline is exhausted. Transport and production problems have hit Zambian copper supplies as well However, Chile has successfully lifted production to around 1m tonnes annually and Peru is still in an expansion stage, although labour problems have brought disruptions in supplies.

Despite the low prices, more new production capacity is scheduled to come on stream in the next two years and should offset closures and cutbacks. However, these developments were planned several years ago when price prospects looked bright, and the subsequent period of low prices has brought a virtual standstill to investment in new projects needed to replace mines becoming exhausted and keep up with the underlying growth in consumption.

The annual growth rate in demand for copper has fallen in recent years compared with the 25-year period from 1950 to 1975 when it averaged over 4 per cent a year. The energy crisis has brought a significant downturn in capital investment, and the increasing sophistication in manufacturing techniques has brought a general miniaturisation in products resulting in the use of less metals overall, including copper.

This reduction in size and switch to less metals-intensive products is probably more significant than substitution of copper by rival materials. However, plastics remain a major threat and optical fibres are a longer-term potential replacement in copper's main outlet in the communications industry.

On the other hand there is good potential for copper in the trend towards capturing solar energy, the development of more electric cars and in desalination plants. Opinions differ on what the average annual growth rate in copper demand will be in the years ahead. Some experts claim it will be around 3.5 per cent, but a fall to 2 per cent has been pessimistically predicted by Brook Hunt and Associates, consultants who specialise in studying the copper market.

In the short-term the trend in prices is likely to be controlled by whether the gloomy forecasts of an economic recession at the end of the year and in 1979 prove to be correct or not. A decision by President Carter, or the U.S. Congress, to go ahead with plans to rebuild the U.S. strategic stockpile of copper to 250,000 tons—possibly as an alternative to curbing imports—could help lift prices too.

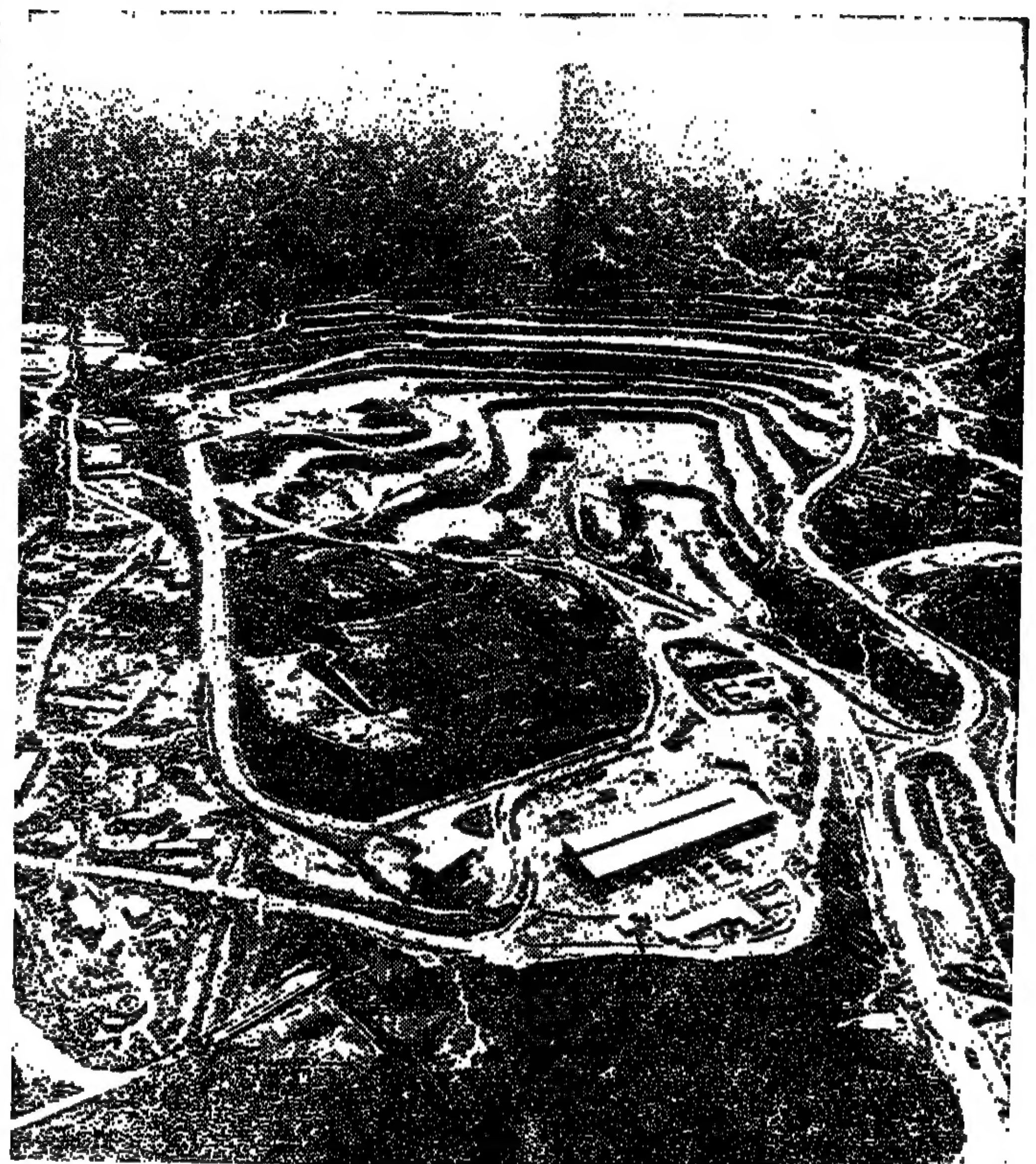
But the main influence will undoubtedly be whether industry continues to suffer from a lack of confidence in the U.S. economy. Although a further fall in the dollar should raise sterling prices for copper, this would do little to help producers if at the same time the slow recovery in demand for copper is hit by another decline in industrial activity.

WESTERN WORLD REFINED COPPER
('000 short tons)

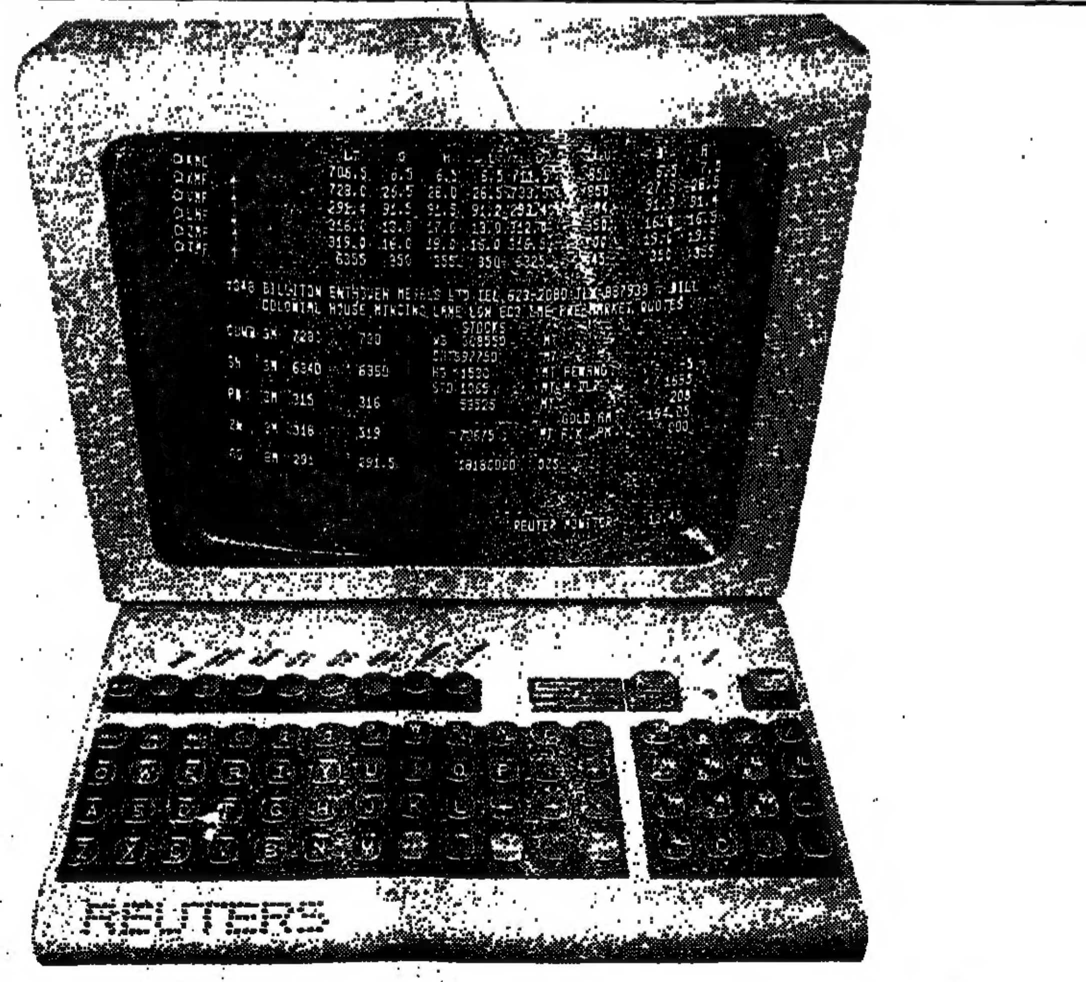
	1974	1975	1976	1977
Mine production	6,832	6,362	6,857	7,150
Refined production	7,663	6,940	7,353	7,699
Refined consumption	7,157	6,020	7,070	7,531
Net imports (+)/exports (−)*	− 7	+ 2	+ 56	+ 88
Govt. purchases (−)/sales(+)	+216	+ 9	− 75	− 17
Apparent surplus/deficit	+715	+931	+264	+239

* Eastern bloc.

Sources: World Bureau of Metal Statistics and Brook Hunt and Associates.



Rio Tinto-Zinc Corporation's big Bougainville copper and gold open-pit mine in the mountainous and rain-soaked terrain of Papua New Guinea.



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Mine development hesitant

ON THE Papago Indian reservation south of Casa Grande in Arizona there is half a copper mine for sale. It was offered in the newspapers early this month by Hecla Mining, which spent $100m on the mine and then had to close it because of low prices, somewhat to the chagrin of the banks which had provided loan funds.

But Hecla is only one of many companies which have found themselves in tight financial situations, caught up in recession, low metal prices and inflating costs. While there has been some recovery, the industry is still in a trough. The consequences are likely to be apparent in the 1980s.

The accepted wisdom in the industry is that a decline in investment now will mean metal shortages and high prices later; the demand for copper will continue to grow despite temporary setbacks. There is much to back up this general argument.

The lengthy lead time necessary to bring a mine to production means that investment decisions need to be taken now for new supplies to be available in, say, five years' time. But market prices of around 60 cents a pound are not conducive to that sort of commitment. The price needs to be about double to act as any immediate incentive.

At present there is substantial unused capacity in the industry because of mine closures and cutbacks over the past three years, but new mines have nevertheless continued to come into production as a result of programmes started several years ago. More mines will continue to come on stream.

Rio Tinto-Zinc has estimated that net additions to mine capacity this year will be 350,000 tonnes and in 1979 a further 542,000 tonnes. In 1980 there could be additions of 206,000 tonnes and in 1981 of 288,000 tonnes. But in 1982 the expected extra tonnage falls away sharply to a mere 30,000 tonnes.

One of the reasons why companies have been reluctant to make new and large investment commitments is the difficulty of financing. This has affected even the large groups with an international spread of interests like Rio Tinto-Zinc. Sir Mark Turner, the chairman, at the annual meeting in London last May spoke of the effect of higher costs.

"In the past new mines have been financed on an off-balance-sheet basis, that is to say without underlying guarantees from the responsible mining house, and highly geared loan capital has been provided by the financial community on the security of take or pay or floor price contracts covering the sale of the output to reliable customers. The recession which followed the increase in oil prices in 1974 has resulted in the requests by customers for cutback in contractual delivery—understandable enough when planned demand by fabricators is drastically curtailed. The result of this, however, could have repercussions in the financial markets, either through the reduction in the proportion of loan capital that is made available or in demands for additional security," said Sir Mark.

But there is a corollary to this which suggests that the mining industry will not necessarily be starved of capital. It is the gathering interest of the major oil groups, with their healthy cash flows, in base metals projects. Thus British Petroleum has established a new minerals subsidiary and, at the beginning of this year Exxon announced plans for a $1.1bn expansion of the La Disputada de las Condes copper mine in Chile. Moves of this sort, carried out on a wider scale, could mitigate the possibilities of shortage in the mid-1980s.

But oil group interest is not sufficient to compensate for the malaise in the industry which has resulted in a general switch of interest away from base metals towards energy minerals like coal and uranium. Mining exploration tends to move in cycles. An indication of this was revealed by Phelps Dodge, one of the largest U.S. copper producers, when Mr. George Munroe, the chairman, said in New York that this year copper and hard rock exploration expenditure was being cut back, while more would be spent on energy minerals.

At the same time the exploration effort is arguably too narrowly conceived in geographical terms. The European Commission has pointed out that by 1985 the EEC countries will be dependent on the developing countries for more than half their copper supplies. Yet the amount being spent by European companies in the developing countries has fallen.

Dropped

In 1961 57 per cent of exploration expenditure was spent in the developing countries. By 1973-75 the proportion had dropped to 13.5 per cent. It is not likely to have increased over the last three years. Unlike the Japanese, the Europeans seem to have been reluctant to widen the scope of their procurement policies.

The industry itself attributes its very cautious attitude towards the developing countries to a lack of confidence in stable investment conditions. It has found it difficult to come to terms with the changes in taxation and ownership patterns which have followed from the assertion by many countries of sovereignty over their natural resources.

"The size and nature of mining operations makes them especially vulnerable to risks of creeping expropriation, through the gradual erosion of the terms agreed with the host government for the operation," said Mr. Beville Pain, the retiring President of the Mining Association of the UK, in an address last December.

But there is some evidence that the industry and the governments of the developing countries are reaching a new *modus vivendi*. The enunciation of policy in an important copper producer like Papua New Guinea, gearing tax demands to levels of profitability, is an indication that a balance of mutual advantage can be found.

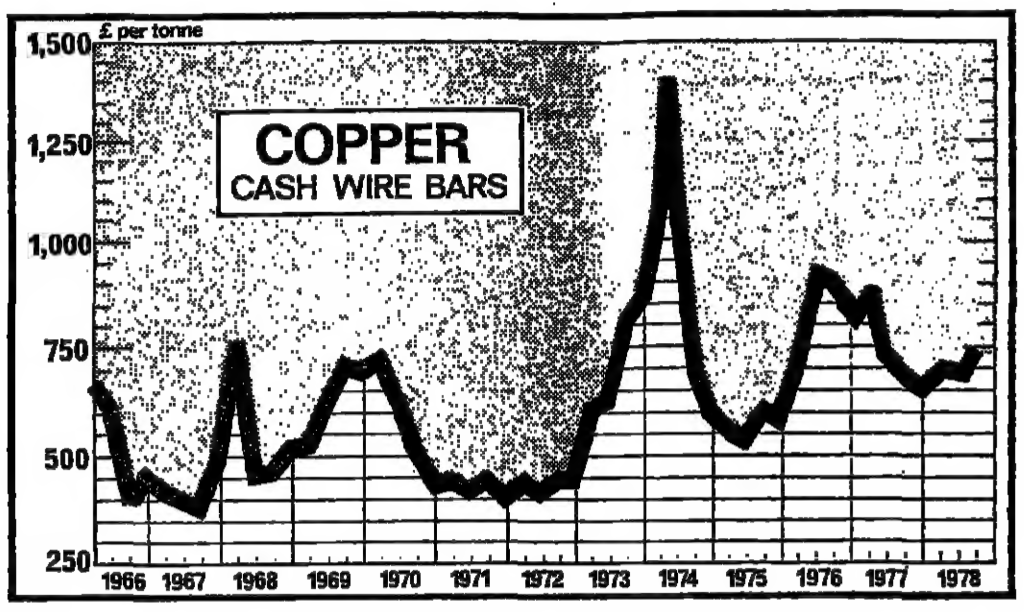
The industry has won the support of the European Commission, but not all the governments of the Nine, to a string of proposals embodying political risk insurance and financial assistance for selected mining projects within a framework of treaty agreements between the EEC and host governments. The suggestions have been put to the developing countries belonging to the Lomé Convention—but the response was cool.

Even if the Lome countries agreed to all the Commission proposals it would only create a climate in which the mining companies might invest more heavily. The effects would be very long-term and not necessarily relevant to the mid-1980s, when shortages could occur. If it can also be argued that a new *modus vivendi* between companies and government is being forged, then the main factor holding back copper investment by groups in the industrialised world remains financial.

Their reluctance to invest has not been shared by the State producers in Chile and Peru, which, with Zambia and Zaire, form the nucleus of the Council of Copper Exporting Countries. Although their unwillingness to hold down production during the recession has been a source of bitterness with established producers in areas like the U.S., the existence of their capacity may be welcomed during the next decade. The share of world mine capacity held by these four countries at the end of last year increased to 40 per cent.

The greater part of new mine capacity expected to come on stream in the next two years will in fact be in the developing world—in countries like India, the Philippines, Brazil and Iran. These producers, unlike Hecla Mining, might catch the market at a good time.

Paul Cheeseright



U.S. producers switch to free market pricing

A REVOLUTION in the pricing of copper. That is a fair description of the decision by Kennecott, the largest U.S. producer to abandon its traditional producer pricing system and switch instead to basing the price it charges for copper onto the New York Commodity Exchange (Comex) quotation. From the end of May onwards the Kennecott price, used for supply contracts with consumers, has been based on the New York copper market quotation at the close of the previous day or trading session, plus a premium of 2.50 cents a lb to cover the cost of delivery. The move has been so successful in recapturing sales lost to imports that all the other U.S. producers have been forced to adapt their pricing systems in one way or another to remain competitive. The charge by Kennecott has extra significance in that it is directly contrary to moves for a general stabilisation of commodity prices and of the copper market in particular.

Traditionally the U.S. producers have been, and indeed many still are, the main supporters of the producer price system, which is supposed to introduce a greater measure of stability both for buyers and sellers of copper.

Outside the U.S. producers and consumers have been forced reluctantly to base their direct supply contracts on the wildly fluctuating London Metal Exchange prices. In addition all other copper sold outside North America is based on the LME quotations; even governments and producers quoting fixed prices have to adjust them in accordance with the changes in the "free market" Metal Exchange.

Although this method of price determination has been consistently criticised and attacked for its unpredictable nature, which makes forward planning a nightmare, no one has yet been able to come up with a viable alternative system despite several attempts over the years.

However, in North America, producers have so far managed to retain control of the price they charge for copper through a producer price system used for supply contracts with their customers. In other words, producers fix the price they are going to charge, even though it has to take account of market influences.

Integration

They have been able to do so because of the far greater integration of the copper industry in the U.S. than elsewhere. The big mining groups to a large extent also control the smelting, refining and fabricating facilities, as well as a large part of the secondary refining capacity.

These captive outlets for copper sales enable the mine producer to impose a fixed price, even though it has to be competitive with rival domestic producers.

But in recent years the growth of copper imports into the U.S., as a result of new domestic production failing to keep up with the rise in demand, has meant greater importance for the residual supplies of what is called "merchant" copper. That is copper not sold under direct supply contracts between domestic producers and consumers.

At the same time the growth in international trade means that U.S. manufacturers face greater competition from overseas and have to ensure that they are receiving their raw material supplies at a competitive price level. The chaos in the foreign exchange rates, and constant changes in the value of the dollar and other currencies, has made it necessary to adjust fixed prices far more frequently than in the past.

The big surplus of copper during the past four years has also made consumers less concerned about the security of supplies provided by producer contracts than in times of scarcity. They have been tempted to buy merchant copper in greater quantities when market prices are at a sufficiently attractive discount to the producer price. As a result producers have been forced to make more frequent changes in their fixed prices disregarding to a large extent the underlying rise in production costs.

This has brought home to producers the uncomfortable fact about the producer price system. That is that during times of shortage they are expected to keep prices stable, but in times of surpluses are expected to give discounts, or lower prices, to remain competitive.

The move is reported to have paid off handsomely, and another producer, Anaconda, decided to follow suit last month. Other producers have reacted by adjusting their producer prices in line with the free market trend far more frequently.

The net result is that the importance of Comex and the London Metal Exchange as pricing media are considerably enhanced. Although there is a bigger "paper" turnover on Comex, the London Metal Exchange as a centre for international physical trade has normally the greater influence.

This is not always the case since when trade interest is at a low ebb, as in times of gross surplus of supplies, speculators tend to play a more dominant role and the highly speculative Comex market comes into its own.

Both producers and consumers bitterly resent the fact that on occasions outside speculators appear often to be fixing the value of copper in contradiction of trade interests. But this is not necessarily a matter for too much concern. The "real" price of copper in the long run is the price that someone is prepared to pay for it, not how much it costs to produce.

By imposing an artificial price, based on production costs, the whole structure of supply and demand is distorted and too little account is taken of the non-trade political and economic influences.

Efforts are now being concentrated on schemes to control the free market fluctuations within an agreed framework rather than seek to impose the fixed prices, which have failed in the past. But any move to set a minimum price, guaranteed by a buffer stock as proposed by the UN Conference on Trade and Development, immediately raises the question of how to define what is an acceptable minimum for producers with a whole range of varying cost. Set too high the minimum price would literally cost a fortune to maintain; set too low it would be of little use to the producers in greatest need of support.

Meanwhile, if the U.S. producer price system is disbanded by other companies following Kennecott's example, this could have a much greater impact on world copper pricing than any moves to control the markets within artificially imposed limits.

The more producers use the free market quotations, the greater is the trade influence to offset the huge inflow of speculative funds in recent years. However, although the free markets may claim a significant victory in converting U.S. producers away from the producer price system, it is far from certain that this will benefit the industry as a whole in the long run.

Buyers frightened by violent price fluctuations that can destroy their carefully worked out profit calculations might well tend to favour materials other than copper, while there is little incentive to invest in expansion of production if the likely return on the funds expended is clouded with uncertainty.

John Edwards

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Consumption of copper has been declining steadily, mainly because of competition from alternative materials. But the industry is fighting back on several fronts.

Consumption pointers

General engineering

GENERAL engineering accounts for about 15 per cent of total copper consumption in Britain and probably a bit more worldwide. The outlook in this sector is generally quite bright. Despite some significant substitution by other metals, copper's essential qualities and relative cheapness still make it an extremely attractive commodity for manufacturers.

Much depends of course on world economic growth and more specifically the growth of world engineering markets. Expansion here will obviously boost copper consumption. Forecasts shop copper consumption in Western Europe advancing from 610,000 tonnes last year to 640,000 tonnes by end-1980. The figures for the U.S., Japan and Western Europe show more impressive growth from 1.38m tonnes in 1977 to 1.48m tonnes in 1980 but these estimates have been lately scaled down.

The picture of increased copper consumption led by general economic growth is, however, much too simple. Copper's popularity in the general engineering sector has been dented by improved technology leading to greater efficiencies and, perhaps more important, substitution by other metals.

Valves, pumps and fittings are the big copper alloy users which seem to have held their own in the face of competition from aluminium and stainless steel. The latter have made limited inroads but copper's strength, resistance and machineability have generally been difficult to replace.

Elsewhere, a vast tonnage of copper tube is employed each year in the manufacture of condensers and heat exchangers, particularly for power stations. Increased competition in this area has been felt, however, from titanium. The trend is worldwide but especially apparent in the U.S. where more power stations are being sited on the coast. Titanium is less easily corroded by salt water, and although copper is more resistant to barnacles and weeds, these difficulties in the case of titanium are apparently being overcome.

The trend is also highlighted in Britain by the Central Electricity Generating Board's decision to use titanium for its coastal power stations, although the copper lobby argues that cupro-nickel, because of lower replacement costs, would be cheaper in the long run.

Nuclear power stations, where safety is more important than price, need the highest quality materials and in this respect titanium fits the bill.

Better design has cut down copper consum[illegible] in the manufacture [illegible] desalination plants, another [illegible] user. New techniques have [illegible] output from a given amount of copper, although the [illegible] is still growing fast [illegible] demand notable from [illegible] Middle East and the offshore exploration sector. Copper [illegible] have been standard in th[illegible] for many years but there [illegible] signs that titanium is [illegible] into fashion there. [illegible] example, it is being used [illegible] in Saudi Arabia, [illegible] biggest new desalination [illegible] in the world.

Alongside a[illegible] a vast number of sm[illegible] essential products used [illegible] engineering industry [illegible] pins, screws, hooks, [illegible] and springs to name [illegible]. Most of these have t[illegible] been made from bra[illegible] and will continue so. N[illegible] some experts reckon [illegible] metal is losing as much [illegible] per cent of its market [illegible] which could have seriou[illegible] implications in the long term. [illegible] aluminium, stainless steel and [illegible] strength plastics are the main substitutes.

Research is currently being carried out by bodies such as the Copper Development Association to find new uses for copper. The metal's anti-filing properties may have untapped potential and one area which could have enormous implications is shipbuilding. Work is being done to develop cupronickel hulls — this would eliminate a ship's need to go into dry dock—and one vessel of this nature is actually being launched in Britain later this month. Other possible fresh horizons for copper include fish farm development and the manufacture of air heat exchangers for power stations.

Tim Dickson

Transport

WORLD-WIDE CONSUMPTION of copper in the transport industry appears to be exceeding most expectations this year, but the longer term outlook is less encouraging. Some drop in vehicle production looks on the cards over the next couple of years while miniaturisation and the competition from substitutes such as aluminium must take their toll.

Earlier projections from Amalgamated Metal Trading suggested that consumption of copper by the transport industries in the U.S., Japan and Western Europe would be about 860,000 tonnes this year against 884,000 in 1977. But this figure will shortly be revised upwards to just over the 1977 figure.

The level of production in the U.S. and Japanese motor industries has taken most people by surprise. After seven months it now looks as if the number of cars produced in the U.S. will reach 9.2m which is second only to the level achieved in 1973. However, together with the level of truck deliveries total vehicle production should be a record 12.9m. In Japan the story is much the same with production running at record levels for the year.

In Europe the picture has been more mixed. Britain looks set for a record year and German production is being maintained at the buoyant 1977 levels but production in France has not been so encouraging.

These production figures should peak, though, by the end of the year and overall it is generally expected that there will be some fall in 1979-1980. Long-range figures from Amalgamated Metal Traders suggest that consumption will fall to 834,000 tonnes in the US, Japan and Western Europe, although here, there has been a more recent breakdown at 300,000 tonnes (against the expected 330,000 tonnes in 1978). But the level of vehicle production is not the only governing factor for copper consumption. A number of manufacturers are now experimenting with copper substitutes — in particular aluminium radiators. There is about 8 to 11 lb of copper/brass in a radiator.

These aluminium radiators have been tried unsuccessfully before. A model developed by Coventry Radiator was used by a specialist UK manufacturer as well as in the U.S. but the idea was soon aborted.

But it now seems as if a French manufacturer has developed an acceptable radiator. This is being used in models in France and Germany and it is thought that a UK motor-car manufacturer is seriously considering moving over to aluminium radiators in certain models. It is ironical, however, that these developments come at a time when copper prices have never been so competitive with aluminium.

Moreover, while aluminum may be more durable to stress it is unlikely to have the resistance to corrosion and anti-freeze that is offered by copper. The only solution to the renewed efforts to find a substitute for copper would seem to be that industry remains worried about the volatile price movement in copper.

The copper industry is fighting back. Marston Radiator in Britain, which has been subsidised by the copper industry, has developed a miniaturised copper radiator that uses 25 per cent less metal while the cost reduction is something in the order of 15 per cent.

Other alternative uses for copper in vehicles are also being developed. The use of a copper chrome alloy for disc brakes is now well advanced. These disc brakes evidently give more efficient braking at a lower temperature and therefore have less wear. Some interest in this system is now being shown by British Rail.

The growing number of accessories being used in motor vehicles must give some long-term boost to copper, as indeed would the battery-propelled vehicle if it caught on to any great extent: currently there seems to be more interest in the electric car in the U.S. After all there is between 6 to 7 lb of copper in the electrics of a big American car.

David Wright

Electrical industry

COPPER CONSUMPTION in the electrical industry in this country recovered modestly in 1977 but was still something like 10 per cent short of the peak achieved five years earlier. The major suppliers of copper-based products (BICC, Delta Metal, GEC) mostly confirm that demand for cable and wire remains weak as far as the home market is concerned.

The cables division of BICC rolls around 130,000 tonnes of copper rod a year, the bulk of which is consumed within the BICC group. About one-third of production is sold outside the company and last year domestic demand remained "low." Sales overall at BICC Cables improved by 17 per cent but that was largely as a result of sharp growth in exports, which rose by 38 per cent to represent nearly two-fifths of total turnover in the division, compared with one-third in 1976.

BICC is undoubtedly the dominant supplier of copper cable and wire to the electrical trades in this country and as such its demand patterns are a reliable barometer to trends within the industry at large. At the moment the company sees little sign of any tangible recovery from the recession [illegible] in recent years has eaten [illegible] into the electrical trades [illegible] taken heavy toll of their capacity to consume copper.

Most of this consump[illegible] revolves around wire and cable with the industry's tonnages in areas like contacts and terminals very modest in compar[illegible]. The process begins with [illegible] fabricators buying copper [illegible] the smelters and impro[illegible] its conductivity. This invo[illegible] electro-plating on a ma[illegible] scale.

In this respect BICC ha[illegible] new refinery which it hope[illegible] bring into production [illegible] next year. The new plant [illegible] be capable of producing [illegible] tonnes of refined co[illegible] annually. The cathode o[illegible] will provide a substantial [illegible] portion of the high purity [illegible] feed requirement of the com[illegible] pany's continuous copper [illegible] plant, which has a potentia[illegible] put of 150,000 tonnes a year [illegible] roughly a third more than [illegible] output achieved in 1977.

Unlike some industrial [illegible] copper's domination of the electrical trades looks beyond challenge. At both ends of the power range—from high tension cable down to telephone cable where the voltages are very modest—aluminium has tended to supplant copper. But aluminium is not nearly so conductive as copper and as a result its use among other forms of cable and wire is limited.

It was in 1945 that British Insulated Cables merged with Callender's Cables and Construction to form what is now known as BICC. The company is the largest organisation in the world in its field, with sales last year close to £1bn. The direct copper element within these sales breaks down into 17 per cent for general wiring and cables, 11 per cent for power cables, 9 per cent for telephone cables and 3 per cent for enamelled wire.

In terms of volume the largest of the four companies that comprise the group is BICC Cables. This company manufactures cables to over 10,000 different specifications.

Jeffrey Brown

Construction

DESPITE THE general recession, demand for copper products from the construction industry is rising slowly. Major fabricators like IMI and Glynwed suggest that this mostly reflects the upsurge in home improvements, notably in areas like central and hot water systems. Copper industry forecasts indicate growth by a tenth in copper consumption by the UK construction industry between 1977 and 1980.

The use of copper by the building trades is spread among three inter-related areas —tubing, fittings and sheet. All are connected in some way with plumbing systems, and they represent the areas that the newer substitute materials have so far been unable to enter, namely hot water containment and distribution. By far the most important of the three is copper tubing, which may account for something over 52,000 tonnes of copper a year compared to 10,000 tonnes or so each for fittings and plate copper.

Where plastic-based substitutes for metal have mostly taken over in construction areas like external guttering and general internal plumbing, the builder still makes extensive use of copper for tubing where hot water is concerned. Apart from its non-ferrous qualities, copper has the ability to retain heat, especially when combined with an efficient lagging system.

IMI (the old Imperial Metal Industries group) reported higher demand in its building products division in 1977, and as a result sales in this sector rose to £467m, representing just under a fifth of total turnover. This year, on its fitting side alone, the company expects a sharp rise in volume. Home improvements as an alternative to house-moving would seem to be the catalyst, although the company is at pains to stress that the general bouyancy of trade is due in part to stockbuilding by builders' merchants.

For some time copper has been largely untroubled by the sort of cost pressures that spring from price gyrations on the commodity exchanges. The metal has been able to compete on a stable price basis for a number of years, and has also had the satisfaction of watching some of its competitors among the plastics fraternity squirm under the impact of the "oil crisis."

The present and historically low levels for the copper price has meant that some areas of production have become uneconomic and closed as a result. But the prospect of supply shortages from 1980 onwards is one that the industry views with relative unconcern. The industry has been through, and successfully weathered, similar storms in the past. Meantime, consumption in terms of end-product continues to improve— at least among the construction trades.

The company's fifth edition of Copper Trends, published in the autumn of last year, suggested that after having dipped by a couple of percentage points in 1977 to 115.000 tonnes, consumption in the UK of refined copper by the building industry would move progressively up to 126.000 tonnes by 1980.

Official statistics tend to fit in snugly enough with this forecast. Against a figure of 73.400 tonnes for UK output of copper tubing in 1977 (which was about the same as in 1976), the first quarter of 1978 took in a rise to 21,800 tonnes.

J.B.

Domestic goods and appliances

IN THE PAST couple of decades few areas of manufacturing have seen so many fundamental and rapid changes as the domestic goods sector. The micro-revolution has brought with it micro-miniaturisation, improved design techniques, better use of materials, improved fabricating methods, greater attention to end-product and more widespread use of alloys. This has clearly had a serious impact on demand for copper from the sector.

Potentially there is a very considerable number of familiar everyday goods which can contain copper—TV and radio sets, hi-fi equipment, refrigerators, food mixers, washing machines, plus any kitchen appliance with an electric motor.

Defining household goods, however, is a difficult task. But according to the Commodity Research Unit the sector accounts for between a fifth and a quarter of total U.S. copper usage. Amalgamated Metal Trading, on the other hand, calculates that the domestic goods share of Western European copper consumption was only 7 per cent in 1977. AMT's most recent forecast [illegible] consumption of 230 tonnes [illegible] the current year, dipping [illegible] 220 tonnes in 1979 as the [illegible] sumer boom tails off, and [illegible] back to 240 tonnes in 1980.

Although copper consumption [illegible] in Europe and Britain has fa[illegible] in the last five years, the high growth rates of countries like Japan have put a slightly more encouraging gloss on world figures—though in "real" terms consumption has fallen there, too. It is when [illegible] expansion is checked ([illegible] Japan now slowing down [illegible] single figure growth) that [illegible] European malaise could be [illegible] felt elsewhere.

TV sets are surprisingly important users of copper. [illegible] typical set contains as much as 1 lb of the metal, but this is being continually whittled away by miniaturisation of components like resistors and capacitors. Much of this, of course, has happened but the trend is downwards and recent micro-chip developments can only add to this.

Copper is also important to household gadgets with electric motors. The late 1960s and early 1970s saw a great deal of research by major manufacturers anxious to find a substitute for what was becoming a very expensive material. Much of this was confined to Europe, where ASEA in Sweden for example, developed an aluminium magnet wire for small electric motors.

Since then the price of copper has fallen with a some consequent flagging of interest in replacement research. Phillips, however, is one manufacturer known to be actively looking for means of reducing the copper content in electric motors.

Among the miscellaneous uses for copper there seems little doubt that coinage will remain an important world consumer. Since coming into fashion about 100 years ago, Cupronickel has been standard in this field despite French and Italian flirtations with nickel and zinc. Coinage is a particularly important copper market in the U.S.

America's defence requirements, however, have seriously contracted as an outlet. One recent estimate from the Commodity Research Unit anticipates that 20-30,000 tonnes were used for armaments in 1977, against maybe five times that at the height of the Vietnam war. Other markets, however, are opening up—India and Iran, for example, have lately set up substantial ordinance factories.

For many domestic uses copper has become plain unfashionable — witness, for example, the fading attractions of copper cooking pots and kettles and the greater appeal of aluminium and stainless steel. It seems that aesthetic appeal and cost will remain vital factors and one small, but certainly not insignificant, contribution of the Copper Development Association has been to help promote the growth of craftsmanship through schools.

Finally, on a brighter note IMI reports that copper tube sales to the plumbing sector in Britain have increased by more than 20 per cent in the first six months of the current year. It may not be a large slice of total copper consumption but at least it is a sign that some of the current rise in our disposable incomes is going towards copper in the form of home improvements.

T.D.

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LABOUR NEWS

Rolls-Royce plea to men over jets

BY OUR GLASGOW CORRESPONDENT

ROLLS-ROYCE has asked its 1,100 workers at East Kilbride to co-operate in allowing court officials to take possession of the four jet engines owned by Chile that have been lying blacked at the Scottish factory for three years.

The company has told shop stewards that it will not resist legal moves by solicitory for the Chilean Air Force who are expected shortly to to seek implementation of an order for repossession of the engines granted at Hamilton Sheriff Court last year.

In notices in the factory the management requests co-operation in moving the crated Avon engines to the factory gates or for court officers to be allowed to enter the plant and take them.

The company reminds workers that the engines belong to the Chilean Air Force and points out that any refusal or delay on its part in complying with the court order will constitute contempt of court.

The East Kilbride workforce is meeting on Friday morning to decide on its response. The stewards have agreed on a recommendation to the mass meeting but are not making it public until after the decision.

The way was cleared for the Chileans to seek repossession last month, when Mr. Edmund Dell, Trade Secretary, granted export licences for the engines, which were blacked in 1974 in protest at the killing of Marxist President Allende. Avon-powered Hunter fighters bombed his palace.

Harm to sales

Rolls-Royce clearly hopes that the workers, having achieved wide publicity for their case, will agree to let the engines go.

The company is particularly worried about possible harm to future sales. Chile's internal airline, LAN-Chile, is understood to be considering buying Lockheed TriStars powered by Rolls-Royce RB211s.

The company has agreed that the £100,000 overhaul bill will be settled only after the Chileans have satisfied themselves that the Avons are in working order, despite three years of exposure to the elements and suggestions by East Kilbride shop stewards that they are rusty and unusable.

Offices picketed by social workers

SOCIAL WORKERS in Newcastle and the London borough of Southwark picketed council offices yesterday in support of a pay claim and negotiating rights.

The 151 strikers in Southwark and the 250 strikers in Newcastle, mainly members of the National and Local Government Officers' Association, have refused to provide emergency cover for "life or death" services.

The Nalgo national executive council met yesterday to discuss whether hte strikers should work in emergencies such as child battering or hardship to old people and to decide whether social workers in Tower Hamlets should join the strike.

The Southwark and Newcastle Nalgo members are on all-out strike. Their colleagues in Lewisham and Ealing stage a one-day stoppage on Monday. Only the London workers refuse to operate emergency services.

Mr. John Tratt, Southwark shop stewards' convenor, said the social workers unanimously rejected a call to provide emergency cover.

"We have taken this action out of sheer desperation. Social workers have a conscience about their clients and the decision to strike was a very difficult one to make.

"We will not provide emergency cover because we believe that will just prolong the strike and more people will suffer in the long run."

The social workers are fighting for the right to negotiate locally with individual councils. They also want pay rises above the 9.9 per cent nationally agreed with Nalgo in July.

The Southwark workers have rejected an offer of between £2 and £14 a week on top of that rise. They say that so far Southwark council has flatly refused to negotiate.

A spokesman for the area's Nalgo branch warned that the strike could spread nationwide. And Dr. John O'Grady, leader of Southwark Council, has already said that people could die because of the lack of cover in "life or death" cases.

Ten team leaders and senior officers were operating a service but they could not possibly cope, he said.

Strike- breakers now work separately

ELEVEN WOMEN who refused to join a recent Bank of England strike were working in isolation from their colleagues yesterday "to prevent possible ill feelings' being expressed."

However, th ebank denied that the women had been "sent to Coventry" or that they were being paid for doing nothing.

The 11 are employed at the Bank of England printing works at Debden, Essex, which produces 35m notes a week to replace those taken out of circulation.

They refused to join a strike last June in support of a closed shop at the works and face disciplinary action by their union, the Society of Graphical and Allied Trades (Sogat).

During the strike the 11 were switched from their normal work of examining notes, and Bank officials say they will be kept apart until after union disciplinary hearings next week.

The Bank of England said: "It was a decision of the management to segregate these 1 women from their colleagues to prevent possible ill feelings being expressed.'

The women elected to stay at work during the strike because they believed the stoppage to be unconstitutional. "They were put on other duties during the strike and remained on them when the dispute ended. This situation will continue until after the Sogat disciplinary hearing next week."

The Bank described the situation as sensitive. "It's plain sense to keep these women apart and certainly there have been no confrontations inside work. I cannot speak for what goes on outside."

Tube men call for weekly strikes

By Nick Garnett, Labour Staff

COMMUTERS ON London's Underground will face service disruptions from early next month if unofficial strikes called yesterday go ahead.

Meetings of all grades of workers called for a series of one-day strikes each week, beginning on September 7, in a dispute with the London Transport Executive and the Greater London Council over economies.

Union officials are seeking support for a strike of all Underground staff, including signalmen and train crews which would shut down the whole of the Underground service during the 24-hour periods.

It was still not clear last night, however, how much support would be given by the train crews, who are not as directly affected by the economies as other grades.

A strike by ticket collectors and other station staff without the drivers might still allow Underground network to operate, with commuters travelling free. The system takes about £600,000 each weekday in fares.

The GLC has told London Transport to cut costs throughout its operations by £8m without reducing mileage of trains or bus services. The transport executive cuts include reducing railmen's overtime and restricting recruitment.

The railmen are angry at the overtime restrictions, complain that there has not been enough consultation, and say that the GLC has not taken into account cost-cutting proposals put forward by the union.

Workforce laid off at Perkins

THE ENTIRE production force—5,500 workers—was laid off at Perkins diesel engine plant in Peterborough yesterday.

They were sent home because of a strike by 800 maintenance men, who are in dispute over grading.

Production of engines has been halted. The plant will stay idle until Friday at the earliest, when the strikers have called a further meeting.

Medical editor settles dispute

MR. LAURENCE DOPSON, former editor of the British Medical Association news review, has dropped his industrial tribunal action for unfair dismissal following a settlement.

Mr. Dopson will be given one year's salary and the Institute of Journalists has agreed to lift sanctions against the appointment of a new editor.

Strike goes on at Ever Ready

STRIKING DRIVERS at the Ever Ready plant in Park Lane, Wolverhampton, yesterday rejected a union cal lto return to work. They walked out calling for pay parity with skilled workers.

The dispute, involving 16 drivers, has caused 1,100 workers to be laid off.

More trade for Liverpool

THE PORT of Liverpool has been promised an increased share of the fruit and vegetable trade, including tomatoes, cucumbers, potatoes and peppers from the Canaries.

The assurance came when a six-strong delegation from the Mersey Docks and Harbour Company, including docker shop stewards, held a week of talks on the islands with the produce growers, exporters and stevedores.

Vauxhall workers end Ellesmere Port strike

BY PHILIP BASSETT AND ALAN PIKE

ASSEMBLY WORKERS at Vauxhall's Ellesmere Port car plant on Merseyside voted yesterday to end their five-week strike in support of a dispute involving 100 transport drivers and accept a peace formula reached by management and national union officials.

At the same time, machinists who have halted production at BL's Bathgate, Scotland, truck and tractor factory with a strike over new tools, were instructed to return to work by the Amalgamated Union of Engineering Workers executive.

Production at the Vauxhall plant should be back to normal today. Almost 5,000 production staff, mainly members of the AUEW, who were told before the factory's three-week holiday that they would be laid off because of the strike when the plant reopened, were recalledf or work yesterday.

Night shift assembly workers were recalled last night, and the remainder are expected to turn up for work today.

A mass meeting of the 3,000 assembly workers, members of the Transport and General Workers' Union, took only 20 minutes to accept the peace formula. The 100 drivers, also TGWU members, met earlier, and accepted the proposals.

The drivers' dispute, which Vauxhall management say has meant a loss of 4,000 cars worth £8m at showroom prices, was over a claim for special productivity payments and a reduction in hours from 47½ a week to 40 without loss of earnings.

The compromise formula for settling the dispute gives more cash in the form of improved meal break allowances. Allowances will be raised from £1.56 to £1.85 per day without receipts, and subject to the production of satisfactory receipts, total allowances claimable will be £2.60 per day.

The improvements will apply to all workers in the three unions who at present receive special mealtime break payments. Joint deputations will be made to Government departments over the interpretation of EEC regulations on drivers' hours.

Production at the Vauxhall plant at Luton, which uses engines, axles and gearboxes from Ellesmere Port, is also expected to be back to normal today after the holiday shutdown. Lay-off notices for 2,800 car workers were posted on Monday, but withdrawn after the Ellesmere Port peace formula was reached.

The 1,500 strikers at BL's Bathgate plant, who stopped work a week ago, are claiming extra payments for operating new computer-controlled machine tools. But after the AUEW executive had studied the terms of the agreement covering such changes yesterday, Mr. Hugh Scanlon, president, said the executive was satisfied that the men should do the new work.

"We shall instruct members to honour the terms of the agreement and return to work," he said.

The strikers, whose action has led to 2,000 other Bathgate workers being laid off, have already rejected a call by local AUEW officials to go back to work. Last month Mr. Michael Edwardes, BL chairman, visited the plant and warned that its future depended upon an end to unofficial disputes and restrictive practices.

● Vauxhall have decided not to comply with an industrial tribunal order that they should re-employ Mr. Mohammed Ayub, sacked for sleeping on a makeshift bed on the night shift.

The decision is likely to mean another tribunal, which could order Vauxhall to pay extra compensation. Mr. Ayub has already been awarded £903.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

Alloy can work when very hot

GOOD CREEP resistance and high yield strength are shown by a recently developed magnesium alloy which is now under assessment by national materials testing laboratories in the U.S., Germany, France and Britain where it was produced.

Magnesium Elektron (Tube Investments group) which has assigned the designation Elektron QH21A to the alloy, indicates that a great deal of private research has already gone into the new material.

Main alloying elements are up to 3 per cent silver, thorium 1 per cent, zirconium 0.7 per cent, neodymium and other rare earth metals 1 per cent.

Castings are pressure tight, easily TIG welded and have good machining properties. The creep resistance and yield strengths are shown up to 300 deg C and the material has a tensile strength of 240 Newtons per square millimetre and ultimate compressive strength up to 385 Newtons.

Fatigue endurance is up to 110 Newtons per square millimetre for up to 50m reversals in rotating-bending tests of unnotched standard specimens. Brinn hardness is between 70 and 90.

No deterioration has been detected in the alloy's properties after prolonged operation at 200 degrees C. Above that and up to 300 degrees, operation is possible with some sacrifice in strength or life. But compared with other magnesium and aluminium alloys, the new formulation, on a strength/weight ratio basis, provides an extra operating margin of at least 50 degrees C.

This last point will be of considerable interest in the aerospace industry where improved lubricants allow higher temperature operation in gearboxes, auxiliary drives and similar equipment for which the alloy will be suitable.

Already Klockner-Humboldt-Dentz of West Germany has selected the metal for the air intake bell and main support ring of its gas turbine engine T117 and it is being assessed for use in various components of a British aero engine.

Magnesium Elektron, Regal House, London Road, Twickenham TW1 3QA.

● HANDLING

Small forklift truck

A SMALL forklift, easily moved about by hand, works from factory compressed air lines and can raise 1,000kg (2200lb).

Made by Danish company Quick Wood and sold in the UK by Trepel (UK), the device makes use of a hydropneumatic system in which compressed air drives a hydraulic cylinder giving a smooth, precise movement and good rigidity under load. Vertical movement at the forks is controlled by a hand valve.

A switch gives automatic adjustment of load height, making the forklift useful for manual stacking and feeding operations—the unit can be set to work in either direction.

Overall width is 550mm, length 1,200mm and the raised height is 1,970mm, reducing to 1,210mm when lowered. The unladen weight is 192kg. The forks will raise loads from 90 to 850mm above floor level.

More from the company at New Road, Sheerness, Kent ME12 1NB (07956 4581).

Finding the right truck

MATERIALS handling specialist, Mr. Gordon Carlton, has produced a "UK Industrial Truck Directory" which shows that over 80 companies are offering forklift trucks in this country.

The publication, produced in association with the National Materials Handling Centre, claims to be the only reference book of its kind.

It details not only such things as sales offices, depots and the name of the chief sales executive, but also gives a potted profile of each organisation.

Copies are avialable free of charge from PEL Communciations, PO Box 33W, Wembley, Middlesex, HA9 9NU.

Keeps load lined up

A POWER swivel device developed and manufactured by Clarke Chapman Marine of Gateshead (part of Northern Engineering) is now being fitted to cranes of the company's own manufacture and will prevent uncontrolled swivelling of large containers, keeping them at the required angle to the ship during loading and unloading.

The cranes already have a beam device, at the point of load attachment which because it is raised and lowered by dual cables spaced several feet apart, prevents the load from assuming a pendulum swinging motion. The device is built into this and prevents swivelling as well.

It is controlled automatically by integration with the motion of the crane so that as the latter goes through a complete slewing operation the container itself remains paraiell to the centreline of the ship. Manual itself remains parallel to the crane operator, allowing him to adjust the angle of the load at any time.

More from Northern Engineering Industries, P.O. Box -NT, All Saints, Newcastle upon Tyne, NE99 1NT (0632 24013).

● COMPONENTS

Auto-return turntables

SO FAR known mainly for the turntables and record changers it sells to original equipment manufacturers for inclusion in branded products, BSR, through its subsidiary Audio Dynamics Corporation, is making a bid for a share of the retail market—turntables sold direct to hi-fi enthusiasts—with the announcement of three new semi-automatic units.

ADC marketing director Roger Allen takes the view that a whole new generation of young people is now emerging that has grown up in households where hi-fi is the norm rather than the exception. They expect to acquire individual quality items of equipment.

BSR already claims to have a world market share of 70 per cent in turntables and record changers, producing over 250,000 units each week in six factories employing 13,000 people.

Soon the three new items will be coming off the lines at the rate of about 6,000 units per week, a formidable challenge indeed to the Japanese and other Far East importers.

Three new models are designated ADC 1500, 1600 and 1700 and they all employ manual set-down of the pick-up arm on the disc with automatic arm return at the end of the play. No wood is used in the base construction; instead, a plastic fabrication is employed consisting of an ABS outer shell with foam injected between the layers to give a sandwich of good strength and light weight.

Model 1500 is driven by a precision ground belt and servo controlled DC motor, the 1600 is direct driven, while the top of the range model 1700 is direct driven with a quartz-referenced phase-locked loop motor. The expected average retail prices will be £79, £99 and £129 respectively.

ADC is at Powke Lane, Cradley Heath, Warley, West Midlands B65 5QH (0384 65191).

Shows shift of status

LIGHT reflecting electromagnetic status indicators made by Ferranti-Packard (Canada) are available from Pye Electro-Devices in the UK.

Series P35 is an enclosed indicator of circular form with a transparent protective cap. It is supplied with a retaining ring for easy panel mounting. Series 35 is similar, but for PCB mounting.

Both devices make use of an 8.9mm disc, one side of which is light reflecting and the other matt black. The disc is moved from black to white or vice versa by the application of a one-millisecond 250mA current pulse and is then held in position by remanent magnetism until reset by a further pulse.

The units are virtually maintenance-free, with no lamps to fail or mechanical linkages to wear out—the life is stated to be 100m operations.

The reflecting, fluorescent discs are available in five colours.

More from the company at Exning Road, Newmarket, Suffolk CB8 0AX (0638 5161).

● COMMUNICATIONS

Tete-a-tete by phone

TELETRONICS has introduced a new one-to-one intercom system, ideal for quick, private person-to-person communication. It could be the answer to communications needs in office receptions, accounts departments, security posts (like factory gatehouses), in hotels and restaurants, and in retail outlets ranging from shops to garage forecourts.

It has a master unit and slave unit—both compact in appearance, and similar to a "trimline" telephone handset. They provide clear communication between points up to 400 metres apart.

Extremely easy to set up and use, installation is by two wires —without polarity, so that either wire can be connected to either terminal. The unit is styled for either desk-top or wall mounting.

Teletronics, 9 Connaught Street, London W2 2AY. 01 262 3121.

● SECURITY AND SAFETY

Line of defence

AN INTRUDER detection system of particularly high sensitivity, for steel mesh perimeter fencing introduced by ARC Europa is called the Perim-Alert.

Manufactured by the Norton Company of California, its electromechanical sensors are mounted on the fence, in closed circuit, and feed signals by cable back to a control panel where each zone of fence (zones being decided upon by the user) is separately monitored.

Sensitivity adjustments in the fence units and the control panel keep false alarms to a minimum. For example in wind speeds of more than force 6, sensitivity should be slightly reduced on the control panel—varying in each zone according to wind direction—but can still detect all but the most cautious ladder placed against a fence post. Certainly any attempt to climb or cut the wire would be detected in the fiercest gale.

At lower wind speeds, sensitivity at the fence is enough to detect a bird hitting it although the central control would normally be adjusted to ignore this.

For the same reasons the system, unlike microwave or infra red equipment, is not affected by rain, snow, fog or humidity. Separate detector circuits raise alarms if any of the electrical wiring or the sensors are tampered with.

Every signal transmitted by the fence sensors causes an "alert light" to shine but only if the signal exceeds the programmed limits is it converted to full alarm. A pulse counter on each zone at the control panel is adjusted by thumbwheel to the best setting for prevailing conditions. Also an alert signal will only convert to full alarm if the pulse count is exceeded for more than a pre-set time of 15 or 30 seconds.

Once an alarm is triggered a buzzer and light on the controls show which zone has been attacked.

ARC Europa, Shakespeare Industrial Estate, Watford, Herts, WD2 5HD. 92-4430.

Protective gloves

A CLAIM that it is able to despatch any of its range of pvc protective gloves within 48 hours of receipt of order is made by Comasec Safety of Lyon Industrial Estate, Hartspring Lane, Watford, Herts (0923 23345).

Three ranges are available: at the top end is the Multi designed for wear resistance and comfort and the Presti which is designed to conform to the shape of the hand and allow maximum dexterity when handling acids, alkalis and other chemicals.

Other types of glove have been developed to handle stone, metal with sharp edges, barbed wire and glass. There is also a glove for delicate operations in which both the hands and the material being dealt with must receive protection.

Crook alarm costs less

VIRTUALLY indistinguishable from a hi-fi speaker, a low cost burglar alarm works on the principle of detecting reflected ultrasonics from the body of an intruder.

It takes power from four batteries and gives the user 45 seconds grace after being switched on to leave the room, caravan, garage or boat. After that delay, the detector circuit is on and should an intruder cross the beam—adjustable from 2 to 20 feet—the reflected sound wave will be picked up and a piercing alarm signal result.

Haddock Hortsman, New Bryngwyn Road, Newbridge, Gwent. 0495 243668.

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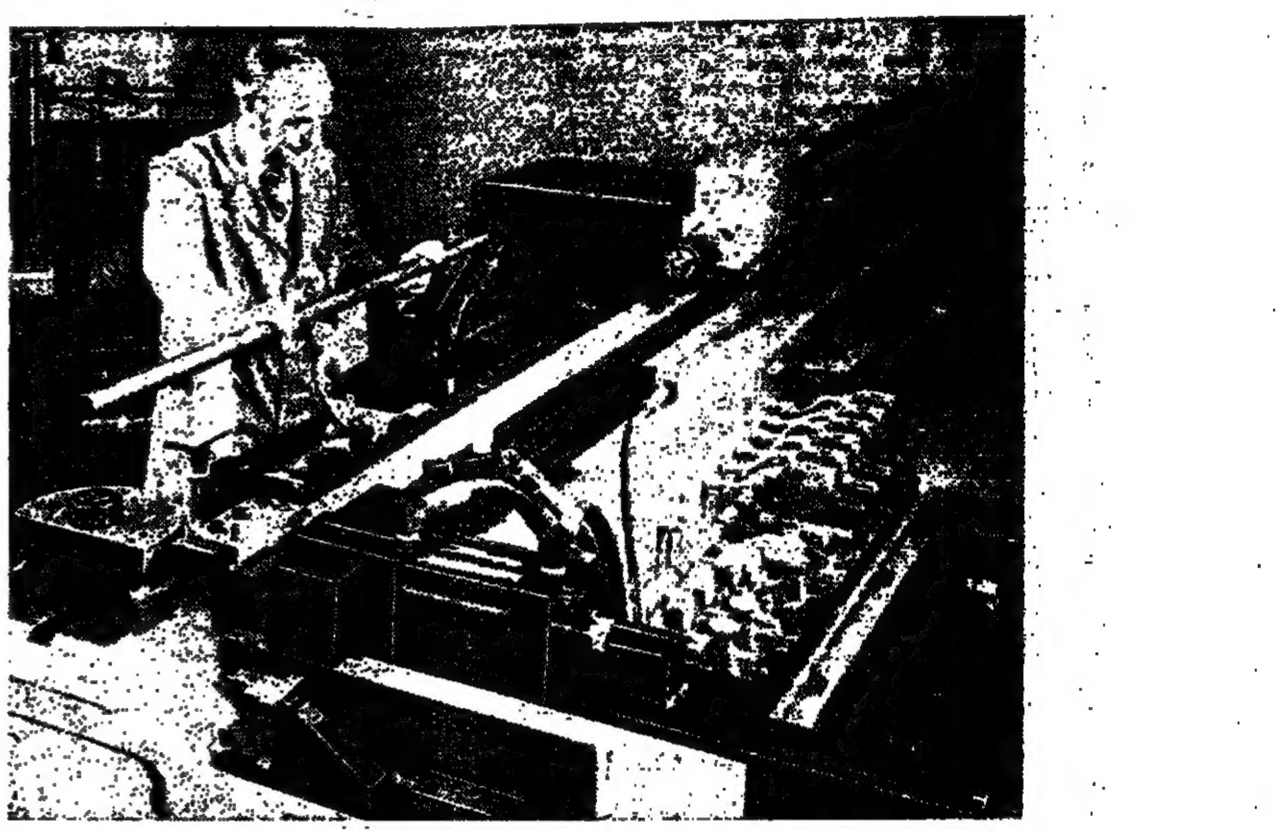

Tube measuring and bending equipment has been modified for mass production applications, especially those involving frequent "set up" changes such as automotive exhaust pipe manufacturing. By obtaining bend data compensated for spring-back by Vector 1 and with that data centre's facility for inspection, high accuracy and repeatability are achieved with minimum scrap rate. The need for storage of master pipes and expensive checking jigs is eliminated. Vectorbend 300C-MP is highly productive because of its rapid set-up time (the machine has its own memory unit), and ability to manipulate pipes automatically, especially when fitted with the optionally available auto loader. Its bending head is a self-contained, fully demountable and interchangeable unit. The 76mm diameter capacity Vectorbend can, therefore, be supplied with interchangeable heads with maximum capacities of 19mm and 38mm diameter respectively. It can also be converted to precision draw bending. In the step-cycle mode, the unit's memory is programmed by keying-in bend data on the tab stop control console. This information would include angles and plane of bend plus distance between bends. Once programmed, all machine movements are automatic but full manual overide is possible from the control console. Up to 5 Vectorbend 300C-MPs can be interfaced with the computer in the Vector 1 tube measuring, inspection and bend data centre, all working on different jobs if necessary. In this mode, bend data, compensated in respect of tube spring-back characteristics, is directly programmed into Vectorbend 300C-MP's memory unit from the computer. Addison is at Westfields Road, Acton, London, W3 0RE. 01-993 1661.

● DATA PROCESSING

Gearing up for export drive

POST OFFICE, Insac and GEC Computers have agreed, in principle, to co-operate in the marketing of systems development and support services for Prestel internationally.

Ability to offer a complete package of software, hardware and the Post Office's know-how is essential for a major drive in overseas markets. Insac's new Viewdata Systems International Division will provide software to meet special systems requirements, and will capitalise on Insac's experience with Prestel in the U.S.

GEC Computers, whose GEC 4000 series computers are at the heart of the Post Office's Prestel services, and also in use by the German and Dutch Post Offices, sees this new market venture as a way of extending worldwide penetration.

Dr. Alex Reid, Director of Post Office Viewdata, believes Prestel can provide a platform for increasing British exports and wants the Post Office to take a direct part in this new initiative.

Insac, set up by the NEB in 1977 with a £20m commitment, sees the American market as probably the major outlet for systems and services based on the Prestel idea and is being advised to this end by Sam Fedida, whose brainchild the original Viewdata concept was.

Through its collaboration with CAP, Systime, SPL and SDL, Insac could, if necessary, call on a total staff strength of 1700. In practice, Insac's sales force would generally be put to work on the distribution of a major product selected by its board as a software system that computer users with powerful equipment would welcome, because it is not available from the computer supplier or because existing routines are unsatisfactory. The package could be developed by one or more of the partners.

This view reflects the opinion, expressed several times at major international conferences by Herb Grosch, the well-known consultant, that much more money is to be gained by investing research and development in efficient software than in developing new series of computers that users do not want since they still are not using their existing, older equipment anywhere near its capacity—largely because of software defects.

More information from Insac Data Systems, 17 Lincoln's Inn fields, London WC2A 3EG. 01-831 7536.

Report on data bases

BUTLER COX Foundation, the research association of Butler Cox and Partners, is to conduct a survey on the experience of data base management system users. A brief questionnaire has been designed to measure the initial benefits DBMS users hoped to achieve and their subjective rating of the success actually attained.

These results will be tabulated according to the DBMS product used, leading to a relative rating of the main products such as IMS DL/1, TOTAL, IDMS, ADABAS etc. The survey will also measure the overall degree of user satisfaction with DBMS implementations and particular aspects of claimed improvement.

The questionnaire is claimed by the Butler Cox Foundation to take under ten minutes to fill in. Companies completing the form will receive a summary of the overall findings: it is being mailed to 300 DBMS users in the UK and Europe.

Companies wishing to ensure that they receive one should contact Butler Cox and Partners, Morley House, 26-30 Holborn Viaduct, London EC1A 2BP. 01-353 1138.

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The Management Page

EDITED BY CHRISTOPHER LORENZ

Cointreau's new family spirit

BY KENNETH GOODING

MAX COINTREAU recalls the occasion when he was invited to lunch by Sir James Goldsmith, perhaps the best-known Anglo-French entrepreneur. The venue was the Laurent, the plush establishment just off the Champs Elysees in Paris which Sir James now owns. At that time Sir James was still searching for famous brands to add to those already owned by his various companies. And it does not take much research in such circumstances to throw up the name Cointreau.

It is the world's best-selling, high strength liqueur; established since the early 1900s as an international best-seller and therefore not just a currently-fashionable drink.

The brand has helped the Cointreau company's turnover reach FFr 600m (roughly £70.5m) last year. It is an extremely profitable brand because a relatively high price is an essential part of maintaining a "quality" image for the product.

Although they are never disclosed, informed estimates put taxable profits at at least FFr 42.5m (around £5m) and they could be much higher. Cointreau certainly admits to making a healthy after-tax return of between 14 and 16 per cent on shareholders' funds.

Max Cointreau remembers that at the lunchtime meeting "Sir James asked me some questions and I gave him what he must have considered to be all the wrong answers. We both spent the rest of the lunch trying not to look at our watches."

Fending off unwanted takeover approaches has been as simple as that for Cointreau so far because there are only six shareholders. Three of them, Max Cointreau, his brother Robert and cousin Pierre Cointreau, are involved in the day-to-day running of the company.

But, like family companies throughout Europe, Cointreau must face up to the problem of what will happen when its shares are spread among more people and people who are not heavily committed to the business. Both Max and Pierre Cointreau each have six children and Robert has one child; this alone will lead eventually to a wider group of shareholders.

At one time, in the early 1970s, Cointreau seemed to have settled for the idea of a merger with the Remy Martin Cognac group as a possible solution. There were already strong links between the two concerns, they had—and still have—a joint marketing company in France and Max Cointreau, 56, is not only brother-in-law to André Hériard-Dubreuil, chairman of Remy, but also Remy's joint managing director.

Unravelled

In the past year or so, however, the two groups have been moving apart. Joint shareholdings have been unravelled and the important outcome has been that Cointreau now has control of Picon, a company which makes an orange-based aperitif wine and the Saint-James rums, while Remy is now sole owner of the Krug champagne business. The former partners have also sold off the Salignac brandy concern to the North American group, Hiram Walker.

These moves left Cointreau in a position to reorganise itself with a little help from the French end of the McKinsey management consultancy organisation.

A new holding company has been set up with Pierre Cointreau as chairman and Robert and Max Cointreau as general managers. As has always been their policy, decisions will be reached by consensus and voting is not involved. Herbert Millet, formerly a financial vice-president with British-American Tobacco's cosmetics division, has joined as director of financial affairs.

Various operating subsidiaries have been set up; the most important one is responsible for the production of Cointreau liqueur and marketing it around the world.

"This new structure allows us to decentralise and settle lines of communication. The problems of the separate holding company can now be dealt with independently from those of the operating companies," says Max Cointreau. "It also solves the problem we might face if the next generation of shareholders are not as interested in the day-to-day running of the business as we are."

One of the first fruits of the new approach has been a rationalisation of the Picon business. Its manufacturing operations near Paris were closed down and production transferred to the modern Cointreau distillery at Angers. This affected 60 Picon employees but half of them have been taken on again because the former Picon plant has become Cointreau's distribution centre for the Paris region.

Some of this rationalisation was necessary because Picon suffered a bad knock about four years ago when it lost the French agency for Vat 69 Scotch, a Distillers Company brand which does well in France and was selling at the rate of 12m bottles a year.

The new corporate structure will also provide more promotion opportunities for the enthusiastic team of young but highly paid managers which Cointreau has attracted. They are mostly French but there is a sprinkling of Englishmen, Germans and Americans among them.

Untapped

It is certainly not automatically assumed that members of the Cointreau family will fill top slots in the organisation. But there has been one recent exception in that Max Cointreau's second son, Andre, joined Picon as marketing manager. However, as Max Cointreau points out: "He received marketing training with Unilever and then went into banking with American Express, so he had exactly the right qualifications for the job."

The Cointreau company still gets most of its income and profits from Cointreau liqueur and sells about 21.6m bottles around the world each year. There are no signs that the annual volume growth rate of 6 to 10 per cent is on the decline and the enormous U.S. market is still virtually untapped—Cointreau is making it a top priority to change this situation.

Further diversification would, however, obviously be worthwhile. And, once again, the new corporate structure will make future acquisitions more easy to handle.

It was rumoured recently that Cointreau was interested in buying the Roc cosmetics group but was outbid by Moet-Hennessy, which takes in the Christian Dior perfumery business. Max Cointreau won't admit to that, but agrees that Cointreau pulled out of a proposed deal "because the price went ridiculously high."

At the moment Cointreau has no plans to go public, although this, too, would be made easier as a result of the structural changes.

There are no cash-flow pressures even though, for example, working capital last year was Fr 40m (around £4.7m) compared with Frs 18m (£2.1m) only three years before. Inflation accounting is a way of life at Cointreau. In any case, the Cointreau liqueur, made from alcohol and orange peel, can be sold immediately it has been produced and no big stocks have to be built up—a problem which the Cognac producers must face because they cannot sell their brandy until it is at least three years old.

Cointreau's debt-to-equity ratio is a healthy one-to-two and it can borrow at low cost, 1½ per cent above prime rate.

"So why should we go public?" asks Max Cointreau, "particularly when the French Bourse has been so depressed for so long and looks likely to stay that way."

How industry can put more clout into EEC lobbying

BY DAVID BUCHAN

"LOBBYING the EEC is like watching grass grow," is the dispeptic comment of one ex-lobbyist in Brussels. But the need for industry and business to lobby the EEC institutions has probably never been greater. To such traditional areas of EEC industrial policy as company law harmonisation and removal of technical barriers to trade (which continue to lumber slowly along) has been added, under the activist EEC industry commissioner Viscount Etienne Davignon, sectoral policies which reach far into the day-to-day workings of steel, textiles, shipbuilding, footwear, man-made fibres.

Industry also has a vital interest in how the European Community renegotiates its trading conditions with the outside world in the current Tokyo round of the GATT talks. M. Fernand Braun, who as Director General for Industrial Affairs is M. Davignon's top official, notes that "the Kennedy round in GATT brought lots of organised lobbying, and it is again on the increase with the Tokyo round."

There are said to be anywhere between 400 and 500 European trade associations, mostly based in Brussels. The top flight among them includes UNICE (the European employers' organisation), ETUC (Europe's trade unions), EUROFER (steel), COMITEXTIL (textiles), CEPAC (pulp and paper), and CEFIC (chemicals)—all of them are powerful Europe-wide associations. There is no formal commission register of lobbies or lobbyists; one American corporate lobbyist completely baffled the commission by trying to register as such; it offered him a Press card instead.

The Commission is only supposed, by protocol to treat with associations "established at the level of the nine member states," according to M. Braun. In fact, its ear can be bent by almost anyone and M. Braun says, for instance, that it is often better for his department to see national associations from different countries individually, rather than together. "It brings out national positions more clearly," he says.

Frequently, companies set up individual representation in Brussels—either when they are very large in their field (like British Steel, the largest steel concern in the Community), or when their interests do not always coincide with others in the same sector (for instance an American car company like Ford).

In fact, American companies need to approach the Commission separately, both from each other and from their European counterparts, because of the strictures of U.S. antitrust law against combines and cartels. So for instance, Ford and General Motors each this year called on M. Davignon separately, after the Commissioner had already seen heads of the European car industry to talk about general problems facing the sector.

Haggle

Others that do not want to go to the permanent expense of keeping a man in Brussels, go to one of the Brussels law firms that specialise in EEC work. A lawyer for Cleary, Gottlieb, Steen and Hamilton, the biggest of these "EEC law firms" in Brussels, says that "companies often come to us for advice or an independent brief to put to the Commission, because they are afraid their interests will be traded away for sheepmeat" in a late night Council of Ministers' haggle.

Law firms here will also take on, generally for smaller companies, a watching brief that bigger companies would pay their own men to do. Much of the individual lobbyists job is spent in reporting back to head office, rather than trying to twist Eurocrats' arms at expensive lunches.

For Mr. Oliver Kemp, the British Steel representative in Brussels, "the most operational part" of his day is spent wandering around the EEC steel directorate. "There is never a day in which I don't pick up something new," he says.

How far do lobbyists themselves become influenced by the Eurocrats they constantly rub shoulders with? Mr. Kemp rejects any suggestion that he is Europe's voice with the BSC rather than BSC's voice in Europe. British diplomats here maintain the same—"Our job is to let the home departments know fairly and squarely what the commission is up to, not any pro-European proselytising."

M. Braun claims that the Commission is listening more to lobbies and pressure groups than ever before out of a desire to make industrial policy more responsive to the real business world. He estimates that about 80 per cent of all EEC lobbying is positive, in that it alerts the Commission to problems that might have slipped its notice, and only 20 per cent "negative" in that it consists of companies demanding protectionist measures without any constructive alternatives. "My door and Davignon's are always open," he says, though it can be fiendously difficult to catch this peripatetic pair at their desks. "In fact, if industrialists these days haven't seen Davignon, they feel as though they haven't been invited to the Queen's Birthday party," according to M. Braun.

Lobbying the EEC has been likened to playing three dimensional chess, because there are so many points at which pressure can be applied as EEC regulations and directives make their tortuous way from the Commission to the Council of Ministers, via in most cases the economic and social committee and the European Parliament. M. Braun suggests that lobbying should take place at every stage.

But how does the lobby or lobbyist know when to start? In certain cases, industry has less reason to fear being left in the dark because it itself is the originator of EEC proposals.

> ❛ Lobbying the EEC has been likened to playing three dimensional chess, because there are so many points at which pressure can be applied as regulations make their tortuous way from Commission to Council of Ministers. ❜

For instance there are now nearly 40 approved Euro-standards for cars, designed to remove some of the technical barriers that hamper the sale of cars across national frontiers inside the Community. In this area, the Commission began by going to the motor industry associations to ask what they felt ought to be done, and then took it from there.

In the more numerous cases in which a proposal germinates inside the Berlaymont, the Commission usually takes the member states' advice at an early stage in the game. One UK diplomat here remarks "It is now the exception rather than the rule for the Commission to spring a proposal out of the blue on the member states." The ivory tower approach of the previous Industry Commissioner, Altiero Spinelli, who liked to launch full-blown Commission proposals on an unsuspecting world, has thankfully been dropped in recent years.

The EEC industry department claims that it positively invites lobbying during the formative stages of a proposal. M. Braun stresses that the Commission tries to spread the net of consultation as wide as possible to cover both sides of industry. Trade union approval is vital in some cases, such as the proposed EEC directive on the interests of workers when companies merge, and highly desirable where the restructuring of a sector will lead to job losses. Consulting the ETUC or its national union federations also helps to dispel the charge, often made by the Community's left wing critics, that the Commission is in the pocket of the big multinationals.

The "action programme" presented each year by the Commission President, Roy Jenkins, to the European Parliament is also designed to give the public notice of the Commission's intentions. It sets out proposals, rather like the Queen's speech at the start of a British parliamentary session.

Because the Council of Ministers is the ultimate arbiter in almost all important cases, there is obviously a premium on lobbying national industry departments or governments. If a company or industry wins the ear of its government on an important matter, then it is probably home and dry. No government will be overruled in the council unless it wants to be. The place to apply this pressure is in the national capitals. British diplomats say "anything of any importance is worked out in London," though they are given latitude on the tactics, handling and presentation of cases in Brussels.

But in competition cases, companies are really on their own for the reasons that the Commission can hand down decisions in this area without reference to the Council or member states. True, there is a body called the advisory committee on restrictive policies and monopolies, composed of national officials (in the UK they are from the Office of Fair Trading), to which the Commission presents its decisions before making them public. But these officials are not expected to take a national pitch, only to pronounce on matters of detail and not of substance. Once the competition ruling is public, the only forum in which to fight it is the European Court of Justice.

Of course, during the preparation of a case the competition department can be swayed by a good lawyer's brief, by discreet personal contacts, or, exceptionally, by purely political considerations. This last was the case when the competition department "went easy" on all cases involving British companies in the run-up to the 1975 UK referendum on EEC membership.

Nor does Raymond Vouel's competition department act in a vacuum, much as it might like to. Every Commission decision has to be approved by a majority of the 13 commissioners. While commissioners, on taking office, have to swear not to seek or accept orders from national governments or political parties, at the same time no one seriously expects them to wash their hands completely of national or political considerations. Otherwise, why should Mr. Jenkins make much of choosing "politicians" for his Commission and of promising to lead a "political" commission.

It is certainly not unheard of for French, Italian or German commissioners to telephone their national capitals for a bit of guidance on what line to take. Nor was it considered strictly unethical, although a mite embarrassing, for Mr. Christopher Tugendhat to try to delay his fellow commissioner Vouel's ruling against Distillers' whisky pricing practices last December, on the grounds that this would aggravate Scottish sensitivities towards the EEC.

With Mr. Jenkins elevated to the pedestal of Commission President, Mr. Tugendhat is frequently the object of pressure from British companies. He dropped his opposition on the Distillers case when it became clear his view had no support. But companies can perfectly legitimately try to play one commissioner off against another.

What makes an effective Brussels lobby? Certainly, UNICE, the European CBI, is too broadly based to be able to take firm positions on any but the broadest of industrial issues, such as company law harmonisation. The same generally goes for the ETUC on union matters.

Perhaps the strongest industrial lobby at the moment is EUROFER, which groups together all big EEC steel producers. Its clout is powerful because the EEC steel directorate, which has been understaffed to cope with the post 1974 European steel crisis, badly needs its help to run the Davignon plan for steel.

It helps of course to have the special lobby status conferred upon the coal and steel industries by the Treaty of Paris, which states that "undertakings, workers, consumers and dealers and their associations shall be entitled to present any suggestions or comment to the high authority (the Commission) on questions affecting them."

Strong industrial lobbies make the Commission's work easier, to the extent that one association can answer for a whole sector, as EUROFER can, except for a few small renegade steel firms, mainly in Italy, which want no part of M. Davignon's programmes.

Mr. Camille Blum, economic director of COMITEXTIL, attributes much of his association's power to the fact that it has managed to forge something like a common view on European textile policy from the 10-11,000 EEC textile firms that come under its umbrella. "Without a common view, you will never be successful with the Commission," he says, adding that much of the original impetus for COMITEXTIL in the early 1960s came from the commission, fed up with listening to so many disparate voices from the textile sector.

Mr. Blum stresses that COMITEXTIL's role is rather different from that of the U.S. textile lobby, for instance, which has been pounding on the doors of the Carter Administration and Congress trying to get textiles excluded from the GATT Tokyo round. COMITEXTIL is, he says, much less overtly political, and more technical.

Nevertheless, last year's renewal of the multi-fibre arrangement was negotiated pretty much as COMITEXTIL wanted. Its technical spadework bore fruit last summer when the council of ministers adopted a negotiating mandate for the EEC Commission that included all the concepts COMITEXTIL had developed; such as the need to measure sensitive areas by the rate of import penetration and the "globalisation" or lumping together of all import quotas from whatever source in a particular textile product.

So by the time the negotiations with individual countries started in the autumn, COMITEXTIL had largely won its battle, apart from keeping a close eye on the chief EEC textile negotiator, Mr. Tran van Tinh, as the negotiations proceeded.

The ability to present a united front to the Commission is one of a Euro-lobby's trump cards. Hard economic and commercial information, of which the Commission is often painfully short, is another. From its member associations and companies, COMITEXTIL can get current market information of a kind that the Commisison has not got, and could not get, and which is essential in order to update figures available to the Commission from national statistics offices.

The fact that the Commission often has to take on trust information from bodies like COMITEXTIL puts those associations in a strong position.

Most Commission officials give the impression they quite enjoy being lobbied. Apart from offers of expensive lunches, which provided they do not come too frequently from the same source, are regarded as harmless hospitality, the attentions of companies and trade associations help reinforce Eurocrats' hopes that their policies do have some practical relevance.

M. Braun regards the British generally as good lobbiers, being more used than their Continental counterparts to canvassing, or being canvassed by, civil servants.

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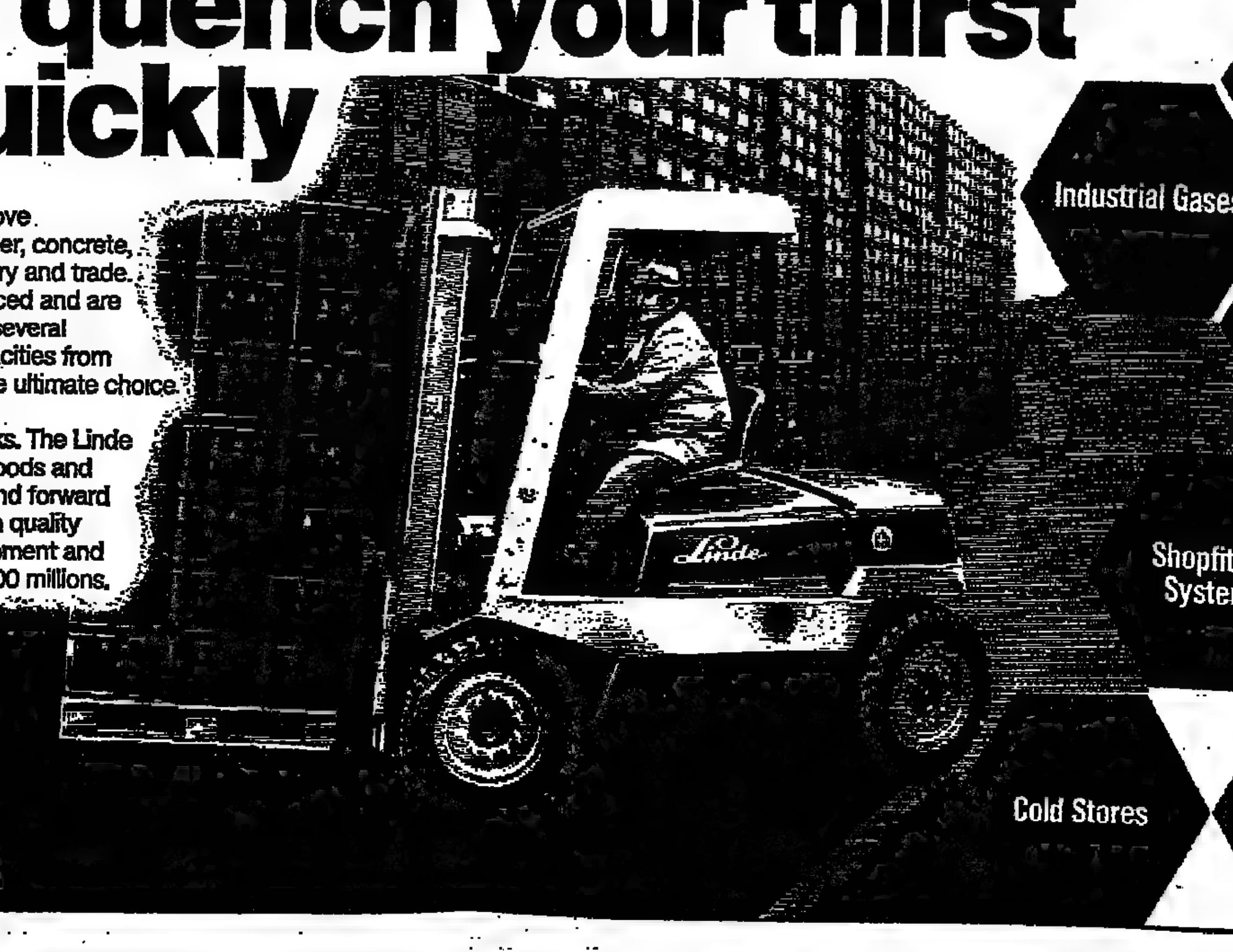

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LOMBARD

Spending the oil money

BY PETER RIDDELL

THE GOVERNMENT'S reluctance to engage in long-term thinking about the economy is nowhere better illustrated than in its attitude to the use of North Sea oil resources. The White Paper on the subject, published just before Easter, was wholly inadequate in its discussion of the options. This was hardly surprising, since the main aim was to avoid any split within the Government or the Labour Party ahead of an election. And that was apparently the end of the matter for many ministers. When challenged on the topic recently, one member of the Cabinet remarked that the issue was now dead since it had been debated in the spring.

Irreversible

This is a ludicrous view, not least since the Government has just announced proposals to increase petroleum revenue tax in order to increase the public share of the "very large profits" being obtained "from the natural resources of the nation." The suggested changes are expected to increase the Government's total "take" by £150m in 1979-80 and by around £400m to £4½bn (at 1977 prices) by the mid-1980s. These figures by themselves underline why it would be quite wrong to regard the North Sea debate as over and to assume that irreversible decisions have been taken.

What has happened is that the benefits of North Sea oil and gas have so far largely been taken in the form of higher personal consumption. This is clearly a conscious political decision, and has been reflected in the use of the current account benefits of North Sea oil—perhaps £1½bn to £2bn this year—to sustain economic activity at a higher level than otherwise. This preference has also been seen in the allocation of Government revenue from North Sea oil—around £550m in 1978-79—to cuts in income tax.

But this does not deal with the issue for all time. There is, however, the obvious possibility that the Government will merely subsume the growing revenue from North Sea oil into general tax receipts without further discussion of the alternative uses.

The danger has been highlighted in a strong attack from within the Labour Party on the Government's longer-term thinking. A recent Fabian Society memorandum argued that although the White Paper said "it would be wrong to pursue a strategy which relied on a consumer-led boom financed by tax cuts, that is what the policies outlined actually amount to."

The Fabians argued that restraint on public expenditure simply leads to lower growth and output. Instead they suggested that "at least part of the extra tax arising from the oil companies exploitation of the North Sea should be used for the development of public services." There is certainly a case for using some of the proceeds for improving the quality of public services, but the Fabians' faith in the public sector as the engine of recovery economic lessons of recent years.

But at least the Fabians recognise that there should be a continuing public debate about the windfall sum of revenue produced from the North Sea. The issue is similar in many respects to the indexation of personal income tax allowances. Before this was forced upon the Government by the Commons last year, politicians were able to announce as tax cuts what amounted to no more than adjustment for the impact of inflation on tax allowances fixed in money terms. Similarly politicians will be able to present as tax cuts the distribution of revenue from the North Sea.

Capitalism

This alone is a good reason why there should be further consideration of the idea of a North Sea Equity Stock, as outlined by my colleague Samuel Brittan and Barry Riley in the April issue of Lloyds Bank Review. Their suggestion was essentially that the total receipts from North Sea oil should be segregated from other taxes and distributed on a pro rata basis to UK citizens the rights to share in the income steam should be transferable, and thus realisable in the stock market. This, as the authors suggest, would be a big stride towards a genuine "people's capitalism," but as a result it would limit the options and resources available to politicians and officials. This is no doubt why they have been cool on the idea so far.

Bringing out the killer instincts

GARDENS TODAY

BY ROBIN LANE FOX

THIS WEEK, I have my eye on weekend gardeners on holiday, wondering how to curb the weeds after the past month's monsoon. Weeds put everybody off. We all resent the time which they take up, but it still surprises me how few of those who resent them know how to take a short-cut. So a word, this week, about my two favourite short-cuts of the moment, which I will be repeating in my own week of holiday-gardening.

The past year or so has seen one first-class addition to the gardener's armoury. It is not, however, on sale at garden centres and it is probably not so useful to the small-sized back garden-plot. But for anyone who is bothered by a sweep of couch-grass, rough meadow-grass and so forth, it is quite invaluable. Monsanto's new herbicide called Round-Up can still only be bought at farm-chemical stores. It sells in highly concentrated form. The smallest cans on sale cost £40 but will control several acres. Buy them, then, in partnership with your neighbours. In my experience Round-Up is in a class by itself.

Paraquat (sold as Weedol) and others to which I will return are well able to kill weeds top-growth. They burn away the greenery and persuade you that they have burned away the whole plant. Sometimes, they have. But Round-Up never misses. Like Paraquat, it is neutral as soon as it touches bare earth. It only kills weeds with grassy leaves and to do this, it must land fully on them, preferably in their growing season. In theory, then, you could use it quite safely under fruit-bushes and so forth if you were absolutely certain that you never dripped any of it on to the fruit-bush's stems. You could even plant vegetables among your couch-grass two or three hours after rounding it all up and you would not lose them. Last August, Round-Up cleared two steep slopes and an old fruit-cage in gardens for which I had advised it. You would not be too late if you applied it at once. May is the cruellest month, however. You catch the grass then as it comes into full growth.

What happens next? After a fortnight, unless it rains too heavily, the grass will begin to turn colour, red, orange, and that shade called Burnt Siena in the British Standard paint box. Now there have been times this summer when I have thought of reaching for Round-Up and polishing off my whole lawn. You know those evenings, the ones which you set aside for mowing only to find that the rain begins just when you discover that the petrol can is empty. How handsome a tinted lawn would look on such a summer evening, as red as one's temper between borders of iris and white paeonies. But if there is a minimum dose of Round-Up for tinting only, I have yet to find it. For a week or two it brings the autumn colours and then all of a sudden, like a slate wiped clean, the grass is burned, shrivelled and gone.

Round-Up is no more of a friend to pets than I am. While it is still drying for an hour or so it would poison any cat in your orchard but as a killer to clear banks, wild gardens, old vegetable patches and fields it has no equal on the market. Casoron D is the small garden's only other retort to couch-grass. It is less concentrated and more easily applied. This too is a godsend in a fruit-cage. But Round-Up will kill the thickest meadow-tufts.

Elsewhere, I stand by Simazine, easily bought in brand names. If you are apprehensive, buy the named Garden Weedex brand only. This is the chemical which you can use quite cheerfully in beds of established shrubs, perennials and shrub roses. It persists in the top inch or two of the soil and stops weed-seeds from germinating. It will also filter down and upset the roots of green annual weeds, but it is essentially a prevention, not a cure. At this time of year, after such rain, I rely on it. The late spring dose is wearing off, the last crop of weed is showing through for this year. Some of the perennials which seed most freely are about to scatter their seeds everywhere, not least that handsome, green-flowered menace, the Ladies Mantle. If you spray Simazine weakly and carefully between your border plants, avoiding the obvious shallow-rooters and the immediate circumference of all big plants, you will kill off the year's final show of weed altogether. Never let it drip on to the crowns of the plants where it would upset them. Be very careful as you go round phloxes and so forth, but take heart from my own appalling blunder.

Reaching for the Weedex last spring, I picked up my last few packets of Super Weedex, the killer for paths and drives only. It has a dash of Aminotriazole, which sounds horrible. Unawares, I filled up the water carrier and sprayed my way down a bed of favourite old striped roses, variegated iris, baby's breath and a scarlet creeping potentilla. Half way down I realised I had strayed into something too strong. Reason deserted me. Half a dead bed would be awful, a whole dead bed would at least be consistent. So I went on to the end, panicked, confessed and next morning bothered those great authorities on all gardeners' weed-problems, the Weed Research Station at Yarnton, Oxfordshire. They gasped and shook their heads. Aminotrizole was not as bad as it sounded. It merely scorched the leaves but the Simazine is super strong in Super Weedex. If only I had telephoned earlier, they could have told me to lay crushed charcoal all over the flower bed's surface. This useful tip would draw up the poison and stop it soaking through. But a night had passed and it had poured with rain. No, that does not dilute Super Simazine it merely washes it deeper. They could only advise me to wait and see.

Having waited, I can report that I still see no weeds in the poisoned flower bed. But all the plants are flourishing, even the striped *Iris Pallida* whose roots run sideways from the rhizomes on the surface of the soil. Super Weedex, I find, is super among shrubs, though please do not push your luck and try it for yourselves. No chickweed, no ground-elder, not even a yearly crop of caper spurge: the researchers had not been able to contain a laugh. Not every day does a gardening columnist ring up to admit that he had poisoned his own best border. But he did and results were on my side. I should also mention, of course, that as a careful and kind-hearted gardener I had mixed the poison at a mere half strength. One can easily be too beastly to anything that grows even to a clump of bindweed.

Friendly Dancer to step on it

RACING

BY DOMINIC WIGAN

FEW TRAINERS have a better record at Brighton than Paul Cole, now enjoying his 10th and best season. And it could well be that both Friendly Dancer and Screen Goddess will further improve his "strike rate" there today.

I am particularly hopeful about the chance of the Juke Box filly, Friendly Dancer. This youthful-looking bay three-year-old, who quickened impressively at the distance to forge clear of the Old Coaster in a five-furlong maiden event at Wolverhampton last October, goes for the Seagulls stakes in preference to stablemate Habibi, who undoubtedly would have come in for good support.

Although she has not reproduced that Wolverhampton form this term, failing to make the frame on both her appearances, Friendly Dancer is thought now to be back to her best and, if this is the case, she should not find too much difficulty in boosting her paddock value with a win over Mr. Frankie Vaughan's somewhat one-paced Ratamataj.

Screen Goddess, a small half-sister to the smart Negus, showed that she acts well on this tricky, undulating and cambered course when finishing a respectable third of 10 behind Northern Dynasty here in June.

Although she ought not to reverse recent form with Partnerplan over 1¼ miles at Windsor, judged strictly on the book the additional quarter-mile on this course for which she is ideally built just could turn the tables in her favour.

Another young trainer enjoying a profitable campaign is James Bethell and he, too, could leave the course with a winner. He has secured Ron Hutchinson's accomplished son for Skyline Drive in the Lancing amateur riders' handicap, and the combination will prove extremely difficult to contain.

Hawaiian Sound was all the rage yesterday for the Benson and Hedges gold cup and the Barry Hills three-year-old has been clipped by both Mecca and the Tote to three-to-one from four-to-one.

A good deal of this interest in the Lambourn colt seems to stem from the rumour that Lester Piggott will be on him next week, in preference to More So.

BRIGHTON
1.45—Marcoing
2.15—Tweel**
2.45—Jenny Splendid
3.15—Skyline Drive*
3.45—Friendly Dancer***
4.15—Screen Goddess

BEVERLEY
3.30—Joleg
4.00—Bradden
5.00—Jerson
5.30—Jimmy Hill

Property development fellowship grant

THE British Property Federation is to make a grant to the University of Reading for the teaching of practical aspects of development with an emphasis on the developer's role.

The initial grant, £3,000 a year for three years, will be used to establish a new post to be called the British Property Federation Visiting Fellowship in Development, and the first Fellow is to be appointed from October 1.

Sir Eugene Melville, the federation's director-general, said yesterday that it had wanted for some time to encourage a real understanding of the positive role of the property developer.

Prof. Lyn Davies, chairman of the School of Planning Studies, said: "We shall appoint someone with considerable practical experience of property development who will be able to contribute to our teaching throughout the academic year."

TV/Radio

† Indicates programmes in black and white

BBC 1

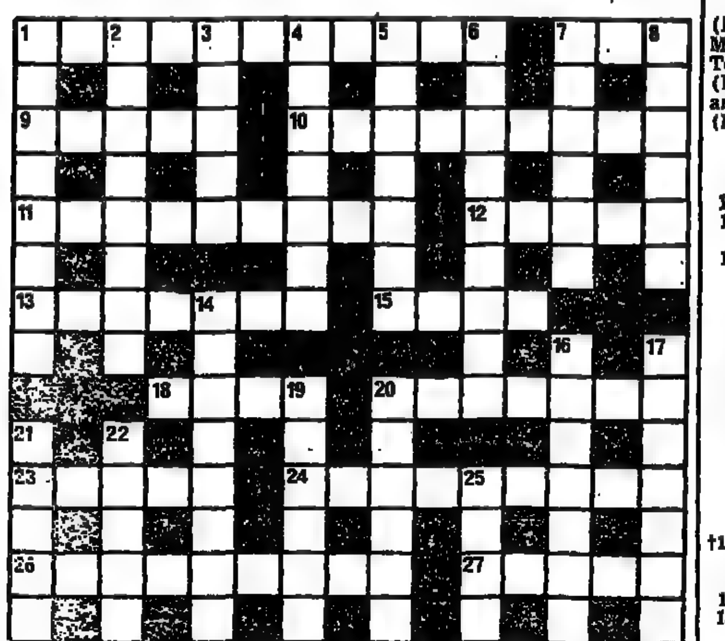
6.40 am Open University (Ultra High Frequency. 9.15 Paddington. 9.20 Jackanory. 9.35 Grange Hill. 10.00 Three's Company. 10.25 Cricket: Gillette Cup Semi-Finals. 1.15 pm News. 1.30 Fingerbobs. 1.45 Cricket: Gillette Cup Semi-Finals. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Pink Panther (cartoon). 5.05 Young Explorers. 5.35 Captain Pugwash

5.40 News
5.55 Nationwide (London and South-East only)
6.15 Chocks Away
6.40 Elvis on Tour
8.10 Z Cars
9.00 News
9.25 Loose Change
10.15 Come Dancing
10.55 Omnibus: The Story of Leos Janacek
11.40 Cricket: Gillette Cup Semi-Finals highlights
12.10 am Weather/Regional News

All Regions as BBC-1 except at the following times:—

Wales—1.45 pm Golf: Rank Xerox Welsh Professional Championships. 5.05 Pan Draw'r Byd. 5.55 Wales Today. 6.20 The Big Time. 7.10 Newydd. 7.15 Pawb Yn El Fro. 7.40 Come Back Mrs. Noah. ...

F.T. CROSSWORD PUZZLE No. 3,746



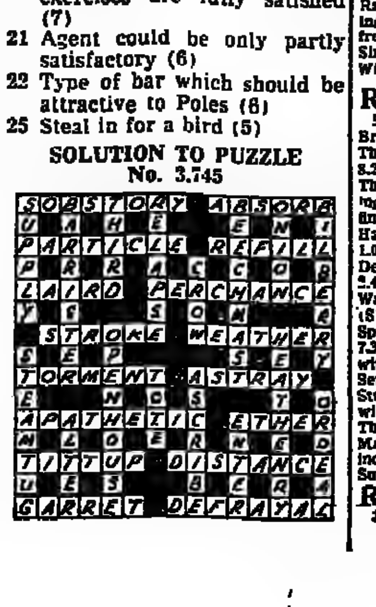
ACROSS

1 Dispose of two fools in a note (11)
7 & 28 Vegetable creating vehicular disintegration (6)
9 Make-up for an unusual rogue (5)
10 One who used to recruit household staff? (9)
11 Irrelevant like a broken pencil (9)
12 Virtuous doctor takes right article to the left (5)
13 Real nut changed gear (7)
15 Nobleman giving spike of corn to learner (4)
18 Place for southern vessel (4)
20 Discharge soldiers with contract to hire (7)
23 Rouse from inaction for a festival (5)
24 Matter for printing appropriate for the author's protection (9)
26 Fruit producing wrath in Spike (9)
27 Beat with a stick and put in loose stitches (5)
28 See 7 Across
29 Record eastern sailors intended, we hear, for judgment (11)

DOWN

1 A wine put up in the east could be poison (8)
2 Hasten with letters of credit that could be forged (8)
3 Small in a way but totally charming (5)
4 Wrongly kill new source of printing material (7)
5 Public performer with craft on strange site (7)
6 Short-lived, variety of maple here (9)
7 Preserve a railway for a bird (6)
8 Soldiers depend confidently upon following but not very often (6)
14 Salesman takes her up before the finish to admonish (9)
16 Big ship going to the east. Could it be the Bounty? (8)
17 Clothing or underwear males start tailoring initially (8)
19 Act in spasms or cunning moves (7)
20 Soldiers allowed to enter exercises are fully satisfied (7)
21 Agent could be only partly satisfactory (6)
22 Type of bar which should be attractive to Poles (6)
25 Steal in for a bird (5)

SOLUTION TO PUZZLE No. 3,745



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Salzburg round-up

by RONALD CRICHTON

At this festival where post-war music has made little impact, Henze has nevertheless been represented with three first performances—*Antifone* for strings in 1960, *The Bassarids* in 1966, this year by *Il vitalino raddoppiato*, a work for violin and chamber orchestra designed for Gidon Kremer. The new work is a kind of discourse on the celebrated Chaconne of the Bolognese Tommaso Antonio Vitali, a work loved by Henze in his youth and still a favourite with him, inducing affectionate speculation about the personality of the composer, of whom so little is known—except that he was nicknamed "Vitalino."

Henze's score, which uses much of the Chaconne in its original form with simultaneous comment from the orchestra, is also a *double* in the Baroque sense of variation on or ornamented version of a theme. It isn't a violin concerto, rather a caprice for violin and orchestra in the 19th century sense—not a deep work but an attractive one, the Chaconne as it were examined through a magnifying glass with which Henze plays, tilting it this way and that. Kremer played with brilliant energy: in later performances he will surely clarify his tone more. Leif Segerstam conducted the Austrian Radio Symphony Orchestra.

What, oh what, to say about Karajan's starry, marmoreously brilliant affairs at the Grosses Festspielhaus? The revival of last year's *Salome* I found a pretty tedious evening in spite of magnificent playing from the Vienna Philharmonic, particularly in the final scene. With Hildegard Behrens cooly floating the vocal line above a sumptuous or instrumental background, this could hardly fail. But even then there were periods of flagging, and earlier the lack of rhythmic vitality, the artificial elongation of Scheider-Siemssen's set and the apparent inability of Karajan as producer to achieve dramatic tension through the placing of his characters combined to make a soporific brew. The Munich *Elektra*, described here a few days ago, was not so polished as this *Salome*, but not for one moment did one's attention falter.

Miss Behrens is an excellent lyric-dramatic soprano whom one hopes to hear and enjoy in many roles, but as Salome in this production she is as neat and trim as a young suburban housewife. If she took a pair of diamante horn-rimmed spectacles out of her handbag to have a closer look at Jokanaan one wouldn't be in the least surprised. She misses the extremes of innocence and of depravity, and for that loss even so beautifully steady a vocan line won't make amends. Few opera singers would risk the Dance of the Seven Veils on so vast a stage: in this production it is effectively choreographed and danced by Heidrün Schwaarz—nevertheless, though the likeness between the two performers is close, illusion vanishes.

Jokanaan is Jose van Dam, another excellent singer. But though one can understand this Salome wanting to settle down with such a gentle, high-minded, sad-looking man, he hardly suggests either the lust-rouser or the inspired prophet. The smaller parts were strongly cast, with Wieslaw Ochman as Narraboth, Erich Kunz as the fifth of a most effective quintet of disputatious Jews, Jules Bastin as First Nazarene—yet the important couple Herodes and Herodias were only lightly filled by Karl-Walter Bohm and Agnes Baltsa.

Verdi usually strikes sparks from Karajan. In the *Don Carlos* which seems to have become Salzburg's *Jedermann* of the seventies, there was much joy to be had from hearing the notes so impeccably played. And yet—ever and anon there were moments when voice and orchestra parted company for a beat or so for lack of a strong rhythmic lead, and the curious phenomenon noted in Karajan's *Trovatore*, when the chorus singing *sotto voce* is kept *below* the accompaniment figure in the orchestra with bewildering effect, was observable again in the cloister scene. Schneider-Siemssen's San Juste convent and his *auto-de-fé* are splendid: elsewhere the huge, symmetrical grille-cages become repetitive and in some numbers, for example the Eboli-Carlos-Posa trio, the singers are placed too far apart for tight ensemble.

The cast was imensely grand. Freni and Carreras as Elisabeth and Carlos sang beautifully and were wholly endearing. Ghiaurov's King Philip is now short on vocal sheen but still mightily authoritative. Cappuccilli's Posa, not in his fullest voice, was for that reason more musically interesting because less unvaried than usual. The Eboli was Eva Randová, replacing Cossotto. I find her thoughtful, restrained reading more congenial than the belting bitches given us by the heavier exponents of the role. But though Miss Randova's tone-quality is sympathetic, it isn't improved by being directed so often at the floor. Apart from the *auto-da-fe* scene, where chorus and orchestra were duly tremendous, the only episode in the opera which really caught fire was the interview between Philip and the Grand Inquisitor. Jules Bastin, heavily bewhiskered, looked more like an irate Chow than a 90-year-old, blind ecclesiastic, but he delivered the message in no uncertain way.

For the good of one's soul, to escape the atmosphere of wealth on the other side of the river, (a necessary concomitant, as things are, of the general level of excellence obtained) any visit to the Salzburg Festival should include one concert in the charming, old-fashioned concert-hall of the Mozarteum. I heard a *Mozart-matinee* with the institution's own orchestra under Christoph Prick. The only familiar item was the G major Flute Concerto, played by Karlheinz Zöller. For the rest, early symphonies and little-known vocal pieces (K217 and 374, to be precise), sung by a talented warm-voiced soprano, Zsuzsanna Fejér.

This concentrated tour of operatic fleshpots — Bayreuth, Munich and Salzburg—has been a slightly humbling experience. Not on account of the solo singers — in each of the three cities British soloists are prominent in leading roles — but because of the general level of efficiency and seriousness. We aren't quite so good as we think, and we aren't quite so good as we were a few years ago, and nowhere does this show more painfully than in the spheres of choral singing and stage management.

Hildegard Behrens

Don Warrington and Elizabeth Adaré

New End

Alterations

by B. A. YOUNG

Michael Abbensetts is a West Indian, and he has some interesting things to say in his play about the mind of the West Indian immigrants here. Three of them are working flat-out in a tailor's shop shortening trousers for export to the Japanese. They need to raise £1,000 by next day for the down-payment on the purchase of the shop.

They represent three contrasted attitudes to the commercial civilisation in which they have chosen to live. Walker (played by Don Warrington) intends to join business as a businessman: "I want to open the newspaper just once," he says, "and not have to read that I'm a problem." Simple, friendly Buster (Trevor Butler) works for him, and is happy to stay in that position. "The minute a black man gets ahead," he says, "he doesn't give a damn for anyone else." The third man, Horace (Lloyd Anderson) is simply obliging as a friend, though he sets some extravagant terms for his help. He is a smooth, affected young man with a line in imaginary success, and he too expresses his inmost character in a fundamental line—"Why should I let the white man see the naked me?"

There is an uncomplicated sub-plot about marital infidelity, which Mr. Abbensetts seems to say is part of the West Indian nature, but the pleasure of the evening is in the bubbling talk where emotions lie always ready to burst out through the jokes, and in the subtleness with which the characters are adulterated with unexpected elements. Walker, for instance, the man most headed for integration, first expresses a passion for Leadbelly and the blues-singers of his time ("They're our culture"), but later confesses that the great heroes of his mythology are Gary Cooper, John Wayne, Alan Ladd—all white men. Buster, the man without ambition, is knocked speechless when he hears on the telephone that he has become the father of a boy; and Horace, the all-time phoney, is the man who sets himself up to marry Walker's neglected wife Darlene (Elizabeth Adaré).

I found the play interesting, instructive and amusing, and it is admirably played by all four players under the direction of Peter Stevenson. Mr. Stevenson is white. Is there some significance in this, I wonder?

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Schaubühne, Berlin

The Wall Is Mama

by RONALD HOLLOWAY

Rick Cluchey's *The Wall is Mama* is known to British audiences since it had its world premiere at the Edinburgh festival in 1974, thereafter staged at the Institute of Contemporary Art and the Theatre at New End, Hampstead. It was a play he wrote in prison for the San Quentin Drama Workshop, following the success of *The Cage* (next to Genet's *Deathwatch*, the best of the prison plays). *The Wall Is Mama* stems from the same experience: a decade with black prisoners and another decade with black actors (ex-prisoners) touring *The Cage* in America and Europe.

It would be wrong to say that *The Wall Is Mama* is a play about blacks by a white author, and therefore a rip-off (as the saying goes). The milieu of a lower East-side bar in New York was etched in fine detail by the experiences of black actors working in the play and black people contributing to it by way of countless stories both in and out of prison.

Cluchey's production at the Schaubühne am Halleschen Ufer in West Berlin is just another stone in the reconstruction of that legendary wall. His play is dominated by four black Americans in the lead roles, three originating from the New York area and the other from Chicago. All of them have had theatre workshop experiences, and the majority in the production have settled temporarily in Berlin as part of an expanding and fruitful Cultural Academic Exchange (DAAD) programme. Cluchey recently performed in a Beckett production of *Krapp's Last Tape*, and will have the playwright looking over his shoulder again in a self-directed *Endgame* for the Berliner Festwochen this autumn.

The Wall Is Mama is an unusual Berlin production. Cluchey's workshop has now, more or less, found a foothold in this island city. The Quartier Latin, a haven for blues the year around, provided the financial backing and a bridge between the German and English speaking communities here. The Schaubühne am Halleschen Ufer offered its stage while the Ensemble was on summer tour.

All the slang used at "Mother's" East-side bar stems directly from the black experience, honed to a raw edge by the principles as though this was simply a slice of their everyday life. A four-page glossary of terms in the programme provided a couple of hints for those who can't catch the general drift of things. The play, for the most part, is visually self-explanatory; the emphasis in Cluchey and John Jenkins's direction is strongly on the physical.

"Mother's" (the "Mama" in the play) is inhabited by junkies and transvestites, preachers and mafia thugs, and friendly and passing whites. The main figures are Mama (Bea) and Duke, who is trying to stay clean but owes money to Sonny, a "dealer" with blood on his hands. Pussy and Philly are, respectively, black and white transvestites working the streets and Mama's. The lone loper to this area of town is Tex, a Gung-Ho veteran from the Vietnam war in freshly starched uniform. Duke's final line before he is shot dead with Bea by Max, Sonny's gunman, is the eternal unfulfilled wish: "Mama, when we get our place in the country. . . ." Like a Warner Brothers' gangster movie, only much closer to home.

The Schaubühne staging does service to *The Wall Is Mama*. Seating is on tiers jutting down on to the floor of the bar with its stables, chairs, neon sign, and counter lighted in eery, dungeon tones. Cork Marcheschi, Bud Thorpe). The actors barely have to raise their voices to be heard, thus drawing the viewer gradually into the dramatic experience (the key to most of Cluchey's success as a writer-director).

The Wall Is Mama has a distinct advantage over today's line of rather dull and repetitive experimental theatre: it's experiential drama.

Albert Hall/Radio 3

Mahler 2

by MAX LOPPERT

The Resurrection Symphony at the Proms is a tremendous spectacle. Monday's performance, given by Bernard Haitink, the London Philharmonic Orchestra, and an enormous and well-schooled choir composed of London Philharmonic and BBC choristers, laid out that spectacle on the grandest scale—Haitink's account of the symphony, though it has been heard many times in London, remains one of the most lucid, most picturesque, and most dramatic of our day. It is unstaled by routine, or by the feeling that Mahler is now a campaign won, a territory fully charted. It holds the balance of symphonic discourse, pictorial colour, and strokes of theatre both musical and visual, with wonderful steadiness.

Yet the level reached on this occasion was not quite as uniformly high as in the past (notably in that never-to-be-forgotten LPO performance at the Festival Hall last September). On this occasion, there were touches of end-of-term tiredness in the playing, with chipped and tarnished notes from all sections (but most often from the brass) throughout the evening, and with disturbances in ensemble in the long first movement. Instrumental solos were not unfailingly clear or tidy.

From a seat at the back of block H in the stalls, the offstage brass band was intermittently inaudible, and coarse-sounding when it could be distinguished. That fine young singer Margaret Marshall failed to strike form in the soprano solos; Helen Watts was the noble alto, with volume and quality of timbre now slightly reduced. Yet even though there were smudged details in the foreground of the canvas, the view of the whole was still magnificent.

Riverside's Six-day jazz festival

Over 30 British jazz musicians will be performing in six double bills at the Riverside Jazz Festival, being held until August 20 in Riverside Studio's 250-seat Studio 2 in West London.

Featured for the first time on the London jazz scene will be three new groups—Surrounding Silence, the new Gary Boyle Band, and the latest version of John Stevens' Away.

The Festival opened last night with a programme of piano solos by Keith Tippet, with the new jazz-rock venture Surrounding Silence completing the bill.

Tenorist Dick Morrissey, and guitarist Jim Mullen's band will play this evening with singer Viola Wills as guest.

The August 17 programme is Turning Point, one of the leading British jazz-rock groups, plus the new Gary Boyle Band.

The fourth night brings together two of Britain's most distinguished jazz names: John Surman and Mike Westbrook. Both will play programmes of solo pieces; Westbrook on piano, and Surman on amplified saxes and bass clarinet.

The fifth night brings an intriguing double bill: the autobiographical jazz poet and unaccompanied singer, Fran Landesman, and the rock group Landscape.

Soft Head will open the last night's programme. Then the Festival will close with the new six-piece John Stevens' Away.

The Festival will also include some surprise guest appearances, the film *Jazz on a Summer's Day* at 11 pm on Saturday, August 19, and real ale in the bar every night of the Festival. All tickets are £1.50p.

KEVIN HENRIQUES

Television

The People Watchers

by ARTHUR SANDLES

Perhaps we are all gossips at heart, in that we are determined consumers of information about people. Be it Jeremy or Christina, Charles or Liz, we devour words of their doings with an enthusiasm which would do credit to any backyard tale swopper. Library shelves bear witness to this appetite for personal details. Biographies outnumber workson gardening, cooking, travel or sport. When Watergate burst upon the world it was not the events that captured public attention, it was the minds and motives of the people behind those events.

Every now and then this excitement in the world of people finds it's expression in television, and the last few months have seen a veritable explosion in the cult of the video personality. Edward VII, Shakespeare, Jesus, Thomas Cook, Joan Crawford, Florence Nightingale, Madame Curie and now Stalin are a few who have been give the small screen treatment.

The style of that treatment varies considerably, from the glossy stylised epics that came from Thames (Edward VII) and ATV (Shakespeare, Jesus) to the stark realism of BBC 1's current view of Great Britons, which leans over backwards to invent or embellish nothing.

The *Great Britons* series shows that the strongest of subjects has to fight hard to survive programme makers who are determined to underplay the piece for fear of being called cheap jacks and sensationalists. A week ago Philippa Stewart monotoned her way through the life of Florence Nightingale proving that skilled writer she may be, but presenter she is not. This piece showed that when live material is thin on the ground a little inventiveness is required. At least last night's subject in the series, Robert Burns, had left a bit of meat in the form of his written words, with which to enliven things.

If the makers of the *Great Britons* have trouble finding live material the same is certainly not the case with that current Thursday night series of profiles written and presented by the ubiquitous Barry Norman, *The Hollywood Greats*. (Thursday, by the way, is addicts night for biography fans what with the *Greats*, *I, Claudius* and *Washington: Behind Closed Doors*.) Norman can, and does, luxuriate in a sea of old film clips and a seemingly endless well of Hollywood stars of yester-yesteryear who somehow survive chirpy and prosperous in the environs of Los Angeles. Lillian Gish and Bessie Love were winkled out for last week's edition on the nice-guy of Hollywood's 'thirties era, Ronald Colman.

Norman's gossip column style of approach may not be what we would ask if he were to take over the *Great Britons*, but it is well suited to his subjects. This week its an orgy of gossip as our Barry bites into the Jean Harlow legend and comes out with a mouthful of boyish giggle and inuendo.

Oh for a bit of this zest in the new London Weekend Television five parter on *Stalin* (*The Red Tsar* is the sort of punish headline we only get away with here when the editor is not looking). If the *Great Britons* has good scripts and indifferent presenters, the reverse is true of this particular project. Narrator Philip Madoc provides the voice-over and does his best with a script which goes off at extraordinary tangents at times. No one is left in such doubt where writers Paul Neuburg (also producer) and Boleslaw Sulik stand in their attitude to the Bolsheviks and their 'twenties plotting. The crushingly awful facts of Soviet life then, and now, could have been left much more to speak for themselves without the sort of descriptions that dismissed modern Russia as "a police state, run by a posse of bureaucrats."

I will assume that the first episode told us so little about the early life of Stalin because so little is known. I find it difficult to believe that he rose to be in the right place to take over the leadership of 160m people simply because he was good at administration and Lenin and Trotsky needed someone to do the paper work. If that were true the world would be ruled by shorthand-typists—and probably better ruled for all that. Instead of detail of Stalin we were given a confusing history lesson.

The worrying aspect of all this was that declared stance by the programme makers. Now in my forties I was still a schoolboy when Stalin died, the years of his rule are politically grey days in my memory. My children were born after Kruschev left the scene and yet one is now a teenager.

It is to programmes such as this that our family looks to for information—a briefing on a period which is still only taught superficially in schools. An abundance of facts is much more useful than political judgments.

However, I am optimistic about the rest of the series, and grateful for it. Stalin's shadow looms large over the modern world. Without him Russia might have gone through further decades of anarchy and disruption, and perhaps would not have withstood German invasion. But with him Russia saw million of its citizens sacrificed to the cause of a single will. The gulf between east and west may have existed anyway, but Stalin certainly saw to it that it was dug to a ghastly depth.

As the series gets into its stride its makers can start taking advantage of the stock of film and still material, and of contemporary figures who are willing, and able, to talk about the past. The research task is a little more tricky than that facing Mr. Norman and LWT has apparently come up with some gems.

What we did not get in the first episode of *Stalin*, nor do we get from the *Great Britons* series, is a real feeling of knowing the character, which is, after all, the acid test of good biography. Television, however, does not seem terribly well skilled at doing this unless it actually takes the full plunge and presents us with an actor in the prime role. Then the question is, of course, do we know the character, or do we only know the actor's idea of that character?

Perhaps we all prefer the performances which give us our heroes and heroines as we have ourselves imagined them—not as they really are. Thus, for me, Edward VII (Timothy West) and Madame Curie (Jane Lapotaire) were indeed the true characters. Tim Curry may have been a jolly, rumbustious Shakespeare, but he was not my Shakespeare, and surely the real Jesus was not the soft textured goods dandy that Robert Powell made him.

Is it therefore impossible to make the perfect biographical television series? Of course it is. And of course I shall remain hooked to them all, fiercely critical but loving every minute of it. There are even two tonight—*Man of Two Worlds* looks at Gian Carlo Menotti at 9.00 and *Omnibus* chooses a Czech version of the life of Leos Janacek at 10.55.

Marceau founds mime school

Marcel Marceau, the French mime artist, is to head a new school of mime in Paris. Known as the Ecole de Mimodrame Marcel Marceau, it will be funded by the City of Paris, and will initially take 100 students on a three-year course. This will include not only mime, but fencing, acrobatics, modern and classic dancing and improvisation.

The school, at the Theatre de la Porte St. Martin, will open in November. It is intended to be fully international, and students will be accepted from any part of the world.

A recently discovered 1937 photograph of Stalin with Secret Police chief Nikolai Yezhov.

This announcement appears as a matter of record only.

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Australia's tough Budget

MR. MALCOLM FRASER'S Liberal-Country Party government has consistently proclaimed three main economic objectives: lower inflation, lower government expenditure, and lower taxation. In practice it has not been equally successful on all three fronts, and the 1978-79 budget introduced in the Canberra parliament yesterday demonstrated strikingly that the aim of lower taxation is for the time being sacrificed to the over-riding strategy of holding down inflation.

Indexation

• The fight against inflation has gone relatively well. At the end of 1974 the consumer price index was moving up at an annual rate approaching 20 per cent, and the pace of inflation is now well under half that. In the budget speech, the government forecasts (or at least hopes) that by this time next year the rate will have dropped "towards" 5 per cent. The relatively tight monetary policy has been, and will no doubt continue to be, a help, but much will depend on whether the government can continue to persuade the Arbitration Commission to keep wage indexation generally below the rate of price inflation.

On the other hand, lower government expenditure has proved much more difficult to achieve. In 1976 outlays went up 10.4 per cent, and in the past financial year by 11.1 per cent. In the latest budget, the deficit has been cut back sharply, but expenditure is still expected to be 7.7 per cent higher than last year.

Inevitably, the price to be paid by consumers for the reduced budget deficit will come in a substantial increase in taxation of various kinds, which together are expected to bring in 11 per cent more revenue. Some of these increases, like those on drink and tobacco, are bound to be unpopular, but to the extent that excise taxes are everywhere regarded as classic revenue sources, the increases should not be unduly contentious in the context of Australian politics. Much the same goes for the acceleration of the policy of moving Australian oil prices up to world levels: consumers will not like it, but in a world facing energy problems, it is just as sensible a policy for Australia as it would be for the United States. Unlike Mr. Carter, Mr. Fraser should expect to be able to get his legislation through.

Much more questionable, however, is the government's plan to impose an extra 12.5 per cent import duty on certain manufactured goods. This must be an error of judgment, and its timing is particularly unfortunate. Mr. John Howard, the Treasurer, said in his budget speech that "it is not intended that these arrangements should have any additional protective effect." Yet it is difficult to see what other effect they can have. The timing is provocative, since the rest of the industrialised world — whose economies are on the whole much less protectionist towards manufactured goods than Australia—has been making efforts to resist domestic protectionist pressures, and since we are approaching the culmination of long-drawn-out trade liberalisation negotiations in Geneva. Other countries are bound to see the Australian move as protectionist, whatever Mr. Howard may say.

High cost

Nor can it be said to be in Australia's long-term interest. If Australia has a high-cost, low-productivity industrial sector, it is largely because it has for far too long been protected from effective competition.

It is, after all, in order to improve Australia's competitive position that Mr. Fraser is keeping up the battle *against* inflation. The political consequence of his tough budget is likely to be some unpopularity at home, and his standing will not be improved if unemployment continues to climb, as seems likely. But if he does continue to bring down inflation, he should be well placed to face a general election in 1980.

A verdict on incomes policy

ONE OF the firmest and most consistent proponents of incomes policies in recent years has been the quarterly economic review published by the National Institute of Economic and Social Research. The review has the refreshing and commendable characteristic of periodically returning to the forecasts and advice it has offered and examining how they *have stood up in the light of* subsequent events. In the latest issue, the review considers the different forms of incomes policies which have been in operation during much of the 1960's and 1970's to see whether there is any evidence to suggest that they have had an influence upon wage inflation, a subject of endless debate on which no consensus of view has yet emerged.

Compensation

The authors of one study in the review are however in no doubt. To them the conclusion that incomes policy has little effect on wage inflation seems inescapable. They have found strong evidence to suggest that particular incomes policies *have reduced the rate of money* — and hence real — wage inflation during the periods in which they operated. One such example, and a not surprising one, was the six months compulsory wage freeze imposed by the Conservative Government in the winter of 1972-73. But when the constraint has been lifted the rate of increase in wage settlements has *accelerated to compensate for the* previous losses in real income.

To the authors, and no doubt to many others, this finding is not surprising. For there is now considerable empirical evidence — which the authors re-affirm — to suggest that movements in money wages are largely determined by the desire of organised groups of workers to achieve a target increase in their real earnings. If their earnings fall short or decline during one particular phase of incomes policy, then they will want to catch up during the following period.

It is possible—and the study provides some circumstantial support — that workers have become increasingly conscious in wage bargaining of inflation and changes in the net real earnings. *If so, then the time* it has been taking for wage settlements to respond to the fall in real earnings which occurred after the present Government re-introduced a formal incomes policy in 1975 needs some explanation. To some extent, this period has been exceptional in that real post-tax earnings fell in a manner rarely seen before and the second phase of the policy was more severe than the first, unlike every previous stage two. The authors believe that either the targets for net real earnings have changed or the speed of adjustment has changed — or both. No doubt time will soon show which it is.

One factor that is commonly thought to contribute to the subsequent catching up process when pay restraints are eased is the desire to unwind the distorting effects of restraint upon *pay* differentials. According to another article in the National Institute review, incomes policies appear to have had surprisingly little effect upon pay differentials and relativities. But this could be, as the author acknowledges, because the study examines changes in the aggregate distribution of income in the economy, rather than changes in individual firms—where there *is little* available data and where accidents of timing in the introduction of pay restraints can have an appreciable effect.

Those who believe in the effectiveness of incomes policies will doubtless cite the declaration in the rate of increase in average earnings from 30 per cent a year before phase one of the present policy was introduced in 1975 to 14 per cent and 8 per cent in the following two years. An equally possible explanation is the influence exerted upon wage bargaining by the record rates of price inflation in 1974-75 which drastically reduced the real value of very large money/wage increases. The real need, as Mr. Frank Blackaby, the Institute's deputy director writes in the review, is to bring home to those engaged in the day-to-day wage bargaining process the broader macro-economic effects of excessive wage increases on prices and employment. If an incomes policy is able to do this, then so much to the good, but it is unlikely to be achieved by the kinds of policies governments have tended *to favour in* the past.

A cynical economist's view of American prospects

BY PROFESSOR PAUL SAMUELSON

ALTHOUGH IT is never easy to understand what *is happening in the* American economy, the situation at the present time seems especially confusing and even paradoxical. Here are some illustrations.

● Just recently the three dozen consensus forecasters at our big banks, corporations and universities have begun to believe that the U.S. will experience a "*growth*" *or* "*mini*" *recession* around the turn of the year. Yet the stock market has surged to a new yearly peak, and the volume of transactions on Wall Street has set a new all time record.

● Just when many observers of the money market have decided that the Administration and the Federal Reserve have become *soft on the deadly disease of* inflation, the ranks have swelled of the camp that believes that we are now very near to the peak of interest rates. Lower rates are just ahead, they believe, as they stampede to bid up the prices of bonds.

● Just when the Dow Jones averages soar, the dollar sinks in Tokyo and the price of gold sets records in Zurich.

The Republican Party, our conservative wing representative of property and the affluent classes, has been stealing the clothing of their populist Democratic rivals. "Less is more" is the new conservative slogan, which promises that tax rate cuts for the rich will not only stimulate capital formation but will even result in greater revenues for the U.S. Treasury! We middle classes have tired of feeling sorry for the poor; now we are feeling sorry for ourselves and are advocating reductions in capital-gains tax rates that apply primarily only to those who are far above the middle classes in levels of wealth and income.

What an exciting time this is for an economist, particularly for one with a sense of humour and a cynical disposition. Alas, however, this is a difficult time for the policy maker and for the economic forecaster.

My purpose here is to identify those aspects of the present American scene that are truly *puzzling, and to evaluate the* weight of evidence for the conflicting opinions on them. No simple and confident answers are possible because of the uncertainties and imponderables intrinsic at this stage of the business cycle. Still it will be useful to review the likelihoods. And it can only help to separate out false dichotomies that so often dominate what passes for informed discussion of finance.

First, let me devote only a few words to the hysteria for tax reduction. I believe it reflects a political trend of some lasting significance, one which in a sense has been long overdue. But, verily, there has been *more nonsensical argumentation* on this subject than on any other in recent history.

Our best conservative economists do not agree that the federal deficit will be reduced by the massive cuts of personal income tax rates envisaged in the Kemp-Roth Congressional proposals. Both in their published writings and in their private conversations, conservative experts are disdainful of the factual analogies and the analytical hypotheses advanced in defence of these tax cuts by Mr. Arthur Laffer, Mr. Norman True, and other witnesses testifying in favour of slashes in tax rates.

Thus, Mr. Herbert Stein, President Nixon's economic adviser, favours cuts in tax rates for business and for people at all income levels. But he does so not in the belief that this will itself produce a dramatic change in technological productivity or capital supply; but rather in the expectation that it will reduce and not enhance the amount of revenue at the disposal of would-be expanders of the public sector. Downward pressure on government spending is a goal he thinks worth achieving without regard to its short-term business cycle effects and long-term supply effects.

Anyone interested in the likely course of U.S. capital formation and productivity between now and say 1984 can ignore the debate over tax reduction and reform. To illustrate why I believe this, consider the proposal to reduce our present maximum tax rate on capital gains from 49 per cent to the 25 per cent ceiling *level of some years ago.* It is doubtful that so extreme a cut-back will prevail, even though it is all but certain that tax rates on capital gains will be lowered. But, in any case, there are comparatively few persons who are now paying those 49 per cent rates, and all of them are extremely well off in comparison with middle class standards. Our crude seismographic instruments will not be able to isolate the subtle effects of such a tax change.

I have just looked over some three dozen consensus forecasts. As usual, there are a few pessimists in the crowd, and a few optimists. But the majority are *in considerable agreement,* indeed in more agreement than the uncertainties of the situation rally warrant. As I read their prognostications, the group has with glacial slowness swung over to the view mentioned at the beginning of this article: late in 1978 and early in 1979, U.S. gross national product will be growing in real terms for two or three quarters at a rate significantly below the 3½ to 4 per cent trend rate needed to keep our unemployment rate from rising. If we define the occurrence of a genuine recession as a period in which for two or three quarters at least, real GNP actually declines, then the consensus forecasters are for the most part denying that America faces such a genuine recession.

Admittedly, these same consensus forecasters did not as a group in 1973-74 predict the occurence of the worldwide recession that actually came to pass. This time they may again prove to have been too complacent. Let me say though in their defence that what they lose on the rare occasions when the U.S. economy does go through a major turning point, they more than make up on the many occasions when more volatile amateurs cry wolf in the form of doomsday depression horoscopes.

Let us examine more closely the differences between the forecasts. Among the most pessimistic in my collection is that of Harris Bank in Chicago, which expects so low an annual growth rate from 1978 to 1979 as to imply under my definitions an outright recession *rather than a minirecession.* By and large the Harris Bank has been of the monetarist viewpoint (which concentrates primarily on the money supply as the determinant of macro-economic movements). Can we therefore say that monetarists are now generally more alarmist than eclectic post-Keynesians, so that a *crucial* test of the merits of the different methodologies will be provided by next year's outcome?

Not at all. Other monetarists, such as Citibank's experts, project nothing worse than a mini-recession. And a few monetarists actually belong to the minority who believe that the *next four quarters will be strong* ones for American business.

To confound the issue further, a non-monetarist like Dr. Michael Evans of Chase Econometrics foresees almost as doleful an outlook as the Harris Bank. At the same time Professor Lawrence Klein of Pennsylvania's Wharton Model, who made his reputation proclaiming the Keynesian revolution and who was Dr. Evans' earlier mentor, has one of the least pessimistic scenarios.

My own weighting of the evidence suggests that the matter is still moot. True, the expansion is now an elderly one by historical standards. True, the 7.4 per cent growth rate of the rebounding second quarter of 1978 is unsustainable. True, the consumer is getting deeper into debt. True, interest rates have risen much since the onset of the recovery three and a half years ago. True, inflation rates have been reaching 2-digit annual levels in recent months, threatening to force the Federal Reserve to tighten up on monetary policy.

All these listed factors impart credence to the view that the U.S. recovery will falter in the months ahead. Still, one has learned from experience that *a priori* reasoning about future inevitabilities is a dangerous activity. Sticking with the recorded facts, we still observe a fairly strong economic performance.

Housing starts are holding up very well indeed. Interrogating banks, savings and loan associations, insurance companies, and housing experts, one finds as yet precious little hard evidence of "disintermediation" and tight rationing of mortgage availability to builders and home buyers.

Or consider the inventory situation. It is a rare business cycle in which considerable swings in the rate of stock-*building does not play a key* role. Yet, until now, ratios of sales to inventory stocks seem on the conservative side and one can find little talk of burdensome inventories.

I stand by what I have earlier prophesied. The next U.S. recession, like the last one, will have marked on its bottom, Made in Washington. Impelled by anxiety to fight inflation, the Federal Reserve will have over-tightened the credit markets. Under similar presures to resist inflation, the Administration and the Congress will have waited too long to take offsetting expansionary fiscal measures.

Therefore, evaluations of the Federal Reserve chairman, Mr. G. William Miller, Dr. Arthur Burns' successor, become important. Recent Wall Street gossip has put forward the view that Mr. Miller may, after all, be weak on the issue of fighting inflation. His every public utterance is scrutinised for possible heresy. As far as I can make out, the only solid evidence for this suspicion lies in the fact that he was in a minority of two in opposing the last increase in the Federal Reserve's discount rate. If Dr. Burns were still chairman of the Fed, I doubt that he would favour the dangerous programme of engineering deliberately *a preventative recession* in order to help bring down the rate of inflation.

So it seems no crime for Mr. Miller to refuse to join in such a rash crusade. One should not however, in my opinion, read into recent Federal Reserve pronouncements and decisions any determination to force down interest rates. This is important. The early August dramatic jump in stock prices was triggered by the belief that the peak of interest rates would soon be behind us. That is why bond prices were rising at the same time that share prices were.

I would put the probability at less than a half of an imminent sustained drop or levelling off of short-and-long term interest rates. *So long as output* continues to grow by an annual rate of at least 3 per cent, and so long as consumer prices rise by more than 6 per cent, there is a significant danger that the components of the money supply will have to grow faster than the announced Federal Reserve target ranges permit if interest rates are not permitted to exceed levels.

Fortunately for those hoping to make out a case for American equity, a resumption of tighter money need not pull stock prices down in the wake of bond price declines. Granted that higher interest rates are usually a factor adverse to share prices, we have to recognise that the significant Wall Street rebound since April occurred for the most part in the face of rising interest rates.

Too exemplify one mini-recession scenario, the graph gives estimates by Chase Econometrics. Although they are more pessimistic than my own preferred forecast, the reader should find them indicative of much American opinion.

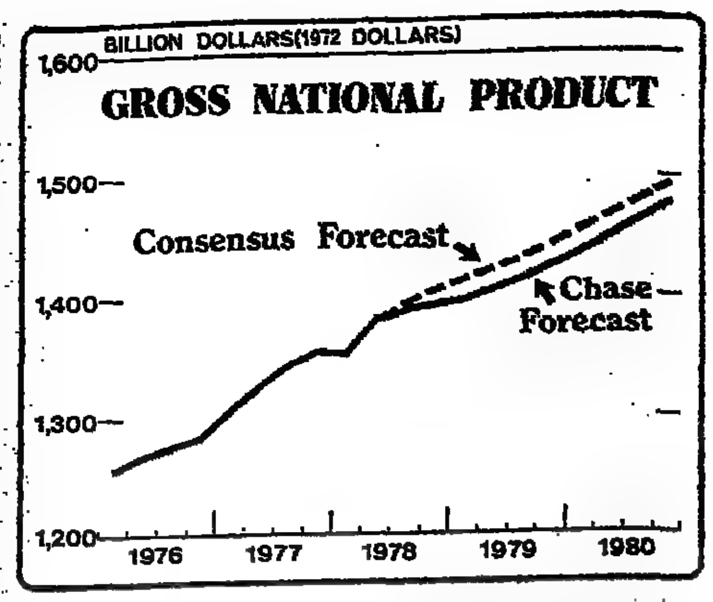
By contrast with the Chase gloom, Figure 1 shows in its upper broken line the more usual consensus forecast. Dr. Evans believes his Chase forecast merits 40 per cent probability of being realised—as against only 25 per cent for the consensus forecast and 25 per cent for an outright recession. That leaves only 10 per cent subjective probability for a continuing high-growth expansion.

Space has not permitted detailed analysis of the American balance of trade deficit. Fortunately, the forecasts of next year's business conditions are not sensitive to what happens in foreign exchange markets. Let me record the belief that it has not been a mistake or a tragedy for the dollar to have floated downward in the face of our serious deficit on current account.

There is some reason to expect improvement in the U.S. export deficit during the year to come. Western Europe and Japan *may well display* improved real growth relative to that of the U.S. A token reduction of our trend rate of oil imports could occur. The classical medium of exchange depreciation is slow to produce its healing therapy; but, on balance, one expects it to begin to take hold.

These are troublesome times for the world economy. Nevertheless, so far in the 1970s the U.S. has performed in a less disappointing way than have West Germany, Japan, Scandinavia, Britain, and most industrial nations of Europe. Neither galloping inflation nor malignant slump are suggested for America by the visible signs.

Property always looks nervously at hostile legislation from populist democracies. For better or worse, the Carter Administration has neither the will nor the power to pursue egalitarian programmes, a fact not lost on shrewd capitalist observers.



THE CHASE HALF-YEAR FORECASTS

	1978		1979	
	1	2	1	2
	percent			
Real GNP growth*	3.7	2.1	1.7	2.8
Consumer price growth*	8.5	7.3	6.8	5.7
Money supply growth*	7.8	7.7	7.8	8.0
Profit growth* over previous two halves	22	10	8	22
Unemployment rate	6.1	6.0	6.2	6.4
Short-term interest rates	7.02	7.70	7.26	6.79
Long-term interest rates	8.72	8.97	8.70	8.51

* Percentages are expressed as annual rates.

MEN AND MATTERS

Artist in oils flying through

Today's art extravaganza in Edinburgh, when Dr. Arnold Hammer's legendary collection will be opened by Prince Charles, is a quick cultural interlude between two worlds for the 80-year-old owner. Hammer has just arrived in Britain from Morocco, with a letter of intent from King Hassan for major mineral development; he is en route to the Soviet Union for the opening of Occidental Oil's ammonia terminal at Odessa.

Before doing his deal with Hassan, the Oxy boss had an exchange of letters addressed on one hand to "Der Mr. President" and on the other—to the king—"Dear Sir . . ." The man who knew Lenin, who did an historic oil price deal with Libya's Gaddafy in 1970, and more recently made it an Occidental platform that the Prince of Wales visited on his first visit offshore in the North Sea —Hammer is not one to be daunted by the great and the famous.

With Morocco, he has added to the list of countries — socialist monarchist, republican and totalitarian — that have fallen for his idiosyncratic style of doing business. His collection of paintings is one of the world's greatest in private hands. It also gives Hammer a magnificent entrée for building up business in new areas.

But if Rembrandt's "Juno" will mightily impress the Scots, it is also the profits from Occidental's Piper Field that went a long way to convince the Government to put up the rate of Petroleum Revenue Tax.

Jogging the mind

As every jogger knows, the real problem is how to occupy your *mind. However much you try* to mentally recite a sonnet or plan the day's work at the office, like the madman who kept hitting himself on the head with a hammer, you simply think: "How marvellous it will be when I stop."

In America the problem has now been solved. A friend newly returned to Los Angeles says it is the fashionable thing to go jogging with your psychoanalyst and have a session on the trot. Californian businessmen are also getting into the habit of making morning appointments with their lawyers or their financial advisers, for a three-mile discussion of pressing affairs. As yet, nobody has seen a track-suited board meeting in progress—but my sympathy goes out in advance to the man who cannot keep up the pace or lacks the wind to speak up in his turn.

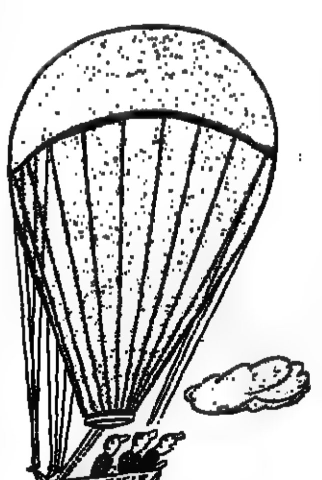
Diplomaball

China's Premier Hua Kuo-Feng arrives in Bucharest today on the first leg of a tour to cement friendly relations with Romania and Yugoslavia. How tactful that the Chinese Army team should have come third in the recent Peking International Basketball Tournament. Other results: 1, Romania; 2, Yugoslavia.

Ice-cool blonde

Dr. David Owen may shortly have to yield his place as Europe's youngest foreign minister. Mrs. Ritt Bjerregaard is expected to be given the post in Denmark before the end of this month if negotiations for a Social Democrat-Liberal coalition fall through. Aged 37, she is now Minister of Education and is considered to have both brains and ambition to a high degree. On the left of the Social Democrats, she opposed Denmark's entry into the Common Market, although she avoids the subject nowadays.

Married to an historian, blonde Mrs. Bjerregaard says she had to choose between her career and children, so will not be having any of the latter. Beautiful enough, in the words of the Danish embassy, "to be on any magazine cover," she is also reputed to be icy in dealing with her staff. An official of the Education Ministry remarked the other day: "We are never short of a cold beer at the ministry. We just let Ritt touch the bottle."



"It's gone very quiet—we must be near French air space!"

Bearish bulls

Evasion in business is a time-honoured skill, the finer developments of which I am continuing to monitor. Share dealers who find themselves stuck for a persuasive line could do worse than memorise the following, sent in by Brian Marker, of stockbrokers Simon and Coates:

"I have seen the underwriting letter";

"The bid will be out tonight";

"Even if the market were to reach *350* this would not indicate a bear market—merely a reaction in a bull market";

"A big line of shares has been overhanging the market. I can let you have the last 50,000."

For really tight corners keep these on a card by the telephone: "The man who is dealing with this is tied up in a meeting"; "We will put somebody on to it right away"; "I can only think the cheque has been lost in the post. I'll make out another one."

Genteel casualty

Ever since Tesco cut its prices and declared the war of the High Streets last year, it has only been a matter of time before the last traditional grocery chains would be missing at the front.

Among the 40 Oakeshotts site being sold by Barker and Dobson in their retreat from the fray are shops in Sloane Street, Eaton Terrace and Motcomb Street; these date from when the company started in 1889. Oakeshotts' old-fashioned personal touch, including credit and personal deliveries, are doubtless enough to give any supermarket accountant the shudders. But the departure of that relic of a more relaxed era will leave a gap in Belgravia and the older suburbs.

Desert desserts

The yearning of Britons in *Saudi Arabia for* a taste of home is helping along one of our marginal exports—ice cream equipment. S. C. Cummins Ltd. of Crewe is busy making special air-conditioned vans at £9,000 apiece and tells me the ice cream market is really hotting up out there. Nice to know our compatriots can at least enjoy a nice vanilla whip.

Observer

16th Overseas Import Fair
"Partners for Progress"
An event of the first importance for Europe's import trade

August 30 to September 3, 1978, is the time when producers and exporters from Africa, Asia and America gather in Berlin to establish profitable business contacts with European importers at this attractive special fair.

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PROSPECTS OF LOCAL GOVERNMENT REFORM

Much barking and very little bite

BY ANTHONY MORETON

WHEN Mr. Peter Shore told the Commons on August 3 that he proposed to make some "organic" changes in the structure of local government it was to a House that had its mind on the summer recess starting that evening. Yet the statement had been awaited with considerable interest: on his own side because Labour represents the towns and wants them to recover the powers taken away by the Conservatives' 1972 Local Government Act; and on the Opposition benches because, apart from being the party of the shires, the Tories want to protect the changes put through by the Heath administration.

"Organic" is the latest vogue word in Whitehall. It is a synonym for "limited". Labour would like to undo many of the hated—in its view—reforms introduced by Mr. Peter Walker in 1972 when he was Secretary for the Environment, but it knows that it cannot do so without another enormous upheaval. So, after much thought and not a little pushing from the grass roots, it has settled for minor changes. In order to gloss over their limited nature these have become "organic."

The Walker changes have been universally condemned outside the counties, which have the councils that gained from them. Almost everyone agreed that something had to be done about a structure that had evolved in the last century and was based on the ancient counties and the emerging towns and cities of the 19th century. But no two people could agree about how those changes ought to have been made.

What Mr. Walker did for England (Wales was given a similar but separate reorganisation and Scotland a completely different structure) was to abolish the county boroughs (the larger cities) the boroughs (the medium-sized ones), the rural councils and the parish councils and merge many sensibly together, into a smaller number of district councils.

But at the level of the counties which really cried out for radical reform, he ducked the issue. He abolished a few councils, such as Rutland and Cumberland, created a few new ones, such as Cleveland, Humberside and Avon, and set up six new super (or metropolitan), counties — West Midlands, Greater Manchester, West Yorkshire, Merseyside, South Yorkshire, and Tyne and Wear. London was left alone.

Rocketing

But in so doing he appeared to distribute powers arbitrarily. The districts within the metropolitan counties were allowed to retain education, whereas the rest of them lost it to the counties. Newcastle, a district within Tyne and Wear, now administers its own schools whereas Bristol, with its larger population, which had a very fine education system, lost its powers to Avon.

The consequence of the mergers also emerged at a human level. Staff guarantees were given and where men were displaced they were in effect guaranteed their previous earnings levels. Five chief executives from displaced councils sought the post at Thamesdown (the new name for a slightly enlarged Swindon). Another result was rocketing costs.

At the time the Walker reforms on local government were going through, the Minister was reforming the water authorities of the country, setting up large regional bodies—the complete opposite of what he had done for councils—and Sir Keith Joseph was recasting the health service, setting up the large regional health authorities.

In the town halls there was a feeling that disaster had struck. They were not only being merged but they were also losing water powers to the new authorities and personal health and social services to the new health authorities. Cities with long traditions, and not inconsiderable wealth, some with royal charters—such as Durham, York, Bristol and Plymouth—were in effect put on the same footing as the new Caradon district council, a rural part of South Cornwall where the main town is Fowey.

If the new system had worked it might have been tolerable. But it patently did not. The non-metropolitan counties, with their tradition of country values and a pleasant, clean life, like Devon or North Yorkshire or Wiltshire, were unable to appreciate the problems of their own towns, with their housing lists and unemployment queues and need to provide space for factories for workers.

Terry Kirk

Sir Arthur South outside Norwich City Hall. Norwich has been in the forefront of the battle to regain some of the powers it lost in the 1972 reform.

Although the counties now had powers over roads, planning, education and personal social services they did not all realise that the towns were the growth points and therefore needed more attention. Friction arose and relationships between counties and districts frequently deteriorated. What became apparent was the unreality of trying to solve the real problems of local government, which are in the towns, from a structure now based on County Hall. Towns have different problems, which interact in a different way, from those of the counties. This was the weakness of the 1972 Act.

Another major weakness was the lack of flexibility in the new structure. Without responsibility for highways and planning a city could not be run efficiently and the result of switching these powers to the counties was to create further friction between the various levels of local government.

This was not a political problem. In Thamesdown the antagonism between the Labour district and the Tory county continued when the Conservatives captured the district In Ipswich, a Tory district, there were always problems between itself and Suffolk.

The backlash was led by Bristol, the largest district outside the metropolitan counties, with a population approaching 500,000. It was instrumental in getting the other nine authorities with populations over 200,000 together to press upon a government—by now Labour and therefore much more amenable to their cause—the need for restoration of some or all of their former powers. In addition to Bristol, the nine were Cardiff, Derby, Hull, Leicester, Nottingham Plymouth, Portsmouth, Southampton and Stoke.

However, Cardiff withdrew from the list when the Government announced that local government would be one of the issues that an assembly in Wales would have to look at and the remainder became the Big Nine.

While the Big Nine were getting together to press their case the smaller but no less important towns—those with populations of between 100,000 and 200,000—were determined not to be left out of any reallocation of the cake. There are 22 of these in England and Wales and they soon became known as the Group of 22.

They are still called this, although strictly they are no longer 22 strong. Newport and Swansea withdrew when the devolution promise on council reform in Wales was given, and three districts (Oxford, Cambridge and Northampton) wished to have nothing to do with the agitation. Its leaders are Norwich and Ipswich. Norwich, a Labour town in a Tory county, wanted to avoid criticism that it was politically motivated and so approached its Tory neighbour, Ipswich, jointly to sponsor the case for reform. The others, such as Brighton, Bournemouth, Torbay and Middlesbrough quickly joined in.

Once again, the alliance straddled political parties. Only three of the Group (by now reduced to 17) are Labour-controlled—Norwich, Middlesbrough and Thamesdown. The Conservative councils were as anxious to regain powers as the Labour ones.

Mr. Shore at this point found himself in great problems because although an eager advocate of doing something for the towns, he encountered stiff opposition in the Cabinet. Mrs. Shirley Williams, at Education, was adamant that the educational changes were working satisfactorily and Mr. David Ennals, the Social Services Secretary, appeared from his departmental eyrie at London's Elephant and Castle, to be reasonably happy with the way things were going in his field.

The result of this in-fighting was seen on August 3 when Mr. Shore unveiled a hotch-potch. He called the changes organic; if such a word has any meaning in that context, what he produced was dis-organic. Within local government there is a strong feeling that he has only got it partly right.

The main points of the changes are briefly:

● **Education:** The Big Nine can put a case forward for having their schools and other facilities back, but it is by no means certain they will all get them.

● **Social Services:** The larger districts will get these back. These include the Group of 17 as well as the Big Nine. But there is a caveat: "It will be necessary to pay full regard to any recommendations the Royal Commission on the National Health Service may make about the structure of the service and its relationship with personal social services," said Mr Shore.

● **Highways:** Some authorities will be able to claim these back. There is also a genuflection in the direction of the counties—the counties' proper responsibilities for planning have to be preserved—and "the precise distinction between districts which might seek some or all of these (highway) powers will continue to be studied."

● **Planning:** Sole responsibility will be allocated to the districts. This has been taken to mean all districts, and not just the two groups of larger authorities.

What Mr. Shore did not say was just who would adjudicate in any dispute. It is hardly likely that any county is going to give up its powers willingly or easily. So if Middlesbrough makes out a case for the return of a particular power and Cleveland fights it, who arbitrates? Mr. Shore skirted round this issue and his department is no more forthcoming.

However, Mr. Shore is unlikely to set up an independent body since it might produce solutions unacceptable to him. Since he has been won over by the pressure from the town halls the inference must be that he will decide—and decide in favour of the towns.

That is, if he or any Labour successor sits in his office at the end of the year. Such a switch needs an amendment to the 1972 Local Government Act and so will have to be in a Queen's Speech with legislation to follow. And with one exception the Tories are not going to alter the system if they are returned to power—they have said that the Big Nine might get back the social services.

Upheaval

Backed by the Association of County Councils, the Conservatives want nothing to do with this tampering with their system. While, privately, voices can be heard admitting that the Walker changes were a disaster, in public the party believes that more change would cause unnecesary upheaval in local government.

Curiously, Labour also is not whole-heartedly behind Mr. Shore. In June its national executive admitted that while wholesale reorganisation is out of the question because it would entail too much disruption, it advocated a long-term plan of radical reform for local government which would replace the counties with elected regional authorities responsible for water, sewerage and economic planning as well as the strategic and technical services now held by the counties.

Mr. Shore was silent on this too. In fact, Mr. Shore's silence was, in many respects, more eloquent than his words, an enviable situation for a politician.

Letters to the Editor

Businessmen on TV

From the Chairman,
Tesco Stores (Holdings)

Sir,—I would like to comment on the article by Nicholas Faith headed "Why businessmen are failing this screen test" (August 7).

For my own part, I am surprised that Mr. Faith moves from the particular to the general by suggesting that, because certain of the businessmen he asked to appear on the programme refused his invitation, this applies to all executives. This is certainly not the case. In the past year, members of my Board have appeared on at least eight national TV programmes—and I do not believe that Tesco is in any way exceptional in this respect.

On the contrary, it is my experience that the majority of Britain's businessmen are anxious to explain their view not only for the benefit of their shareholders but also, and of more importance, to the public at large—and spend an increasing amount of time on this important communications function.

It is not for me to criticise, but I wonder whether it could be that Mr. Faith misunderstands the reservation of certain of the executives that he approached to appear on "Time for business"? In our case, for example, it takes many more than a few minutes to explain a decision like our withdrawal from Green Shield or the development of our urban locational strategy. These are considerable issues demanding considered appraisal—and with the best will in the world a short programme that attempts to analyse them is inevitably prone to misunderstanding or even distortion.

This is not to deny the importance of making the effort although, just occasionally, businessmen are somewhat cautious about what may result. Given the opportunity of a detailed approach to most issues, however, I am sure that men such as Sir Charles Villiers and Sir Arnold Weinstock would be happy to explain the complexities of British Steel's forward strategy or GEC's development plans. These are stories, however, that cannot be told in the parenthesis of a comparatively short TV programme—as I am sure Mr. Faith himself understands.

But I suspect, nothing more, that Mr. Faith himself recognises the weakness of the case he argues so passionately. In the final paragraph he says that if we ignore the public they will ignore us. I agree entirely—and the evidence from the High Streets certainly suggests that Britain's businessmen are by no means camera-shy — see John Swinfield's article of August 14!

Leslie Porter.
Tesco House, PO Box 18,
Delamere Road, Cheshunt,
Waltham Cross, Herts.

Lesser Horde's submission

From Mr. H. Harris Hughes

Sir,—Mr. Anthony Robinson, in his interesting report from Moscow (August 10), remarks that "Kazakhstan voluntarily joined the Russian empire for protection against nomadic invasions in the nineteenth century." That is certainly the modern Soviet view; others might disagree.

The original "submission" of the Khan of the Lesser Horde in 1730 and subsequent events of the same sort during the eighteenth century meant nothing in practical terms and it was precisely for that reason that Russia began a military annexation of Kazakhstan in that century. The great threat to the Kazakhs from Eastern nomads came to an end in 1757 thanks to the Manachus, not the Russions, but by then the Kazakhs were far too exhausted by that struggle to fight the Russian advance effectively.

Yet once the Kazakh people realised what was happening they did resist Russian control and the great rebellion of Kenesary Kasim (1837-47), among others, was originally recognised by Soviet historians as a struggle to regain national independence.

More recently, however, the Soviet State has needed to justify its colonial empire with the myth of "voluntary submission"—I doubt if the facts can be made to support it and I am sorry Mr. Robinson appeared to do so.

H. Harris Hughes.
5, Lavington Stables,
Putney Heath Lane, SW15.

Driving grouse

From Mr. L. Clugston.

Sir,—I read with interest Mr. John Cherrington's article of August 12 . . . "A not so glorious 12th." In his first paragraph he states . . . "I have experienced an increasing revulsion of killing any warm-blooded creature except for food or to protect crops." I am sorry he said this as it could be used by the present Socialist Government as ammunition to extend its proposals to ban shooting. At the moment it says they are only concerned with banning hunting.

He also refers to the earliest mention of driving on a grouse moor I have always understood that a grouse drive first took place on Snailsden Moor near Huddersfield, owned by Mr. W. Spencer Stanhope. The party had been walking grouse all day when Mr. Spencer Stanhope became tired and he got down into a "Liggin Ole" which had been made by sheep rubbing the ground and lying down. He ordered the remaining guns to walk in line driving the grouse towards him. This took place in 1805.

L. G. Clugston.
The Old Vicarage,
Scawby, Brigg,
South Humberside.

Trade with Japan

From the Managing Director,
Newman-Howells Associates

Sir,—The comments made by Mr. Masaya Miyoshi, director-general of the Keidanren (August 14) are, without exception, true and to the point. That we should suffer the indignity of being advised of our shortcomings in coming to grips with the facts relating to the status quo in Japan is one thing but to be informed of it in circumstances where the British taxpayer is paying a substantial premium to support an embassy, marketing centre and an Exports to Japan unit in London, is something beyond comprehension.

One has the impression, also, that Mr. Miyoshi has politely "pulled his punches" in describing his observance of British efforts to enter the Japanese market—results have been quite disproportionate to effort because "the effort" as such has not manifested itself upon the Japanese in a manner that is likely to produce the desirable outcome many companies would wish.

What Mr. Miyoshi has not stressed in his statement is something, perhaps, that he can be forgiven for having taken for granted, namely, that British exporters first have to understand the Japanese. In cases where one is dealing with minor Japanese companies, compared with the large trading houses, there is a learning curve upon which both sides need to embark before it is possible to establish proper business relationships. From a Western exporter's point of view, much attention to small, but important detail must be cultivated in the mind of the recipients; personal "credit" as well as corporate "credit" is fundamental to acceptance; the actual communication of understandable facts, data, etc., must be coherently made to the Japanese, in return for which one must be prepared to receive conceptual responses and statements which require to be thoroughly examined before they can be interpreted correctly in Western terms.

The processes of communication and understanding can be exasperating for both parties but the inescapable responsibility that an exporter must face is the one in which he must be convinced that his Japanese counterpart is as well informed of the other party's position as he is of his own. There is no place for assumption on the part of the Westerner who must at all times avoid spiritual understandings to which the Japanese are commonly disposed in their dealings with each other.

Undoubtedly, few British companies have the stamina, patience and cultural aptitude to attempt to take the Japanese seriously. Without a genuine attempt to identify with them, the prospects for business cultivation can be regarded as costly and speculative. Of course, market research is important, and it is a powerful negotiating tool to have a good definition of the market before attempting to engage with prospective distributors. However, this tool is useless for the purpose of establishing relationships — it is an aid only in the processing thereof.

That Japan is resisting imports is hard to believe. Certainly some protectionism is evident in the more sensitive industries, but Japan is not unique for this mode of behaviour.

As far as foreign investment in Japan is concerned, Mr. Miyoshi has a barbed point in his reference to Hitachi's unsuccessful bid to establish a plant in the UK. That was the worst decision that the UK made if it has serious intentions of either encouraging other Japanese industries into the UK or has similar ideas about investment in Japan. Apart from these considerations, we are aware of the Government's sensitivity to "controversial" industries being encouraged to operate from the UK — the inference being that trade union unrest might be further precipitated. Since there is a very difficult unemployment problem in the UK it seems almost contradictory to the national interest that by reducing the ranks of the redundant we might ultimately provoke strikes among those who are fortunate enough to be employed!

John M. Newman.
Wolvesey Place,
Winchester, Hants.

Give steel to China

From Councillor J. Gouldbourn

Sir,—You report negotiations are now expected with the Bank of China (August 14). To those retired from the City and the old China Customs Service, China is acknowledged as a nation honourable in trade.

Participation in world trade by China at this time, has a significance as great as the entry of Western Germany into the free trading system in 1947. As in Germany then, there is now an almost dearth of iron and steel products in China. If energy (coal, oil and uranium) is the root of the world economies, then iron and steel are its trunk and branches.

The most practical and effective way of getting all the world economies moving, while at the same time reducing debilitating western type "give away" subsidies and grants, would be for the U.S., Japan, Germany, France and Britain to each give China 5m tons of rolled steel products a year for the next ten years.

The resulting cumulative effect of this basic industry production, both in the donor nations and throughout the whole Chinese economy, would automatically generate the conditions of competition and demand in agriculture, shipping, mining and manufacturing industry, which statesmen fiddle to provide by their costly bureaucratic and financial interventions.

Given this approach, all that is required is a high degree of free exchange of money, goods and services, to ensure 25 years of fruitful human endeavour in trade and development.

John Gouldbourn.
5, Queen Mary Avenue,
Lytham St. Annes.

Avoiding tax

From Mr. W. Fliess.

Sir, — Your interesting article on tax avoidance (August 14) contains a harmless-sounding but nevertheless ominous sentence: "Operators of avoidance schemes are awaiting a general election result before deciding a new policy. . . ." Does this imply that the Tory Party is the party of the tax dodgers?

Walter Fliess.
33, Post House Lane,
Great Bookham, Surrey.

The status of engineers

From the Chairman, J. N. Rowen.

Sir,—I was pleased to see that a fellow structural engineer, Mr. P. Mason (August 14) is opposed to the registration and licensing of engineers.

A lot of rubbish has been written and spoken about the status of engineers. The Finniston Enquiry is a waste of time and taxpayers' money—dare they tell us how much it is costing? If they can spend £30,000 alone on sending out a questionnaire then I shudder to think.

At a local meeting organised by the enquiry there were 44 speakers allocated only three minutes each. How could anybody reach any sensible conclusion after such a marathon.

Status in engineering is acquired by one's performance and the end product of one's labour. 90 per cent of engineering is routine work carried out by workers who have acquired their skills in a practical manner

For those who need qualification there has always been available membership of the engineering institutions which are recognised and respected throughout the industry. Could not some new status symbol have an adverse effect on the membership of those institutions!

Registration and licensing would mean more civil servants and useless red tape. We engineers want less Government interference, less bureaucratic control and forms and freedom to get on with the job in our own way.

J. N. Rowen.
Fulwood Road South,
Sutton-in-Ashfield, Notts.

Today's Events

GENERAL

Chairman Hua Kuo Feng, Chinese head of state, on visit to Romania.

Prince of Wales speaks at National Gallery of Scotland lunch, Edinburgh.

BBC announces its autumn plans.

OFFICIAL STATISTICS

Cyclical indicators for UK economy (July). Basic rates of wages and normal weekly hours (July). Monthly index of average earnings (June).

COMPANY RESULTS

Final dividends: Garford-Lilley Industries; Joseph Webb. Interim dividends: Barrow Hepburn Group; Britannic Assurance Group; British Aluminium; Dreamland Electrical Appliances; Moorside Trust; Olives Paper Mill; A. G. Stanley Holdings; Tiger Oats and National Milling; Tube Investments; F. W. Woolworth.

COMPANY MEETINGS

LCP, Metropole Hotel, Birmingham, 12. Moss (Robert), 333, Banbury Road, Oxford, 3.30. Negretti and Zambra, 100, Old Broad Street, EC, 12. Town and City Properties, 100, Old Broad Street, EC, 3. Victoria Carpet, Green Street, Kidderminster, 3.

OPERA

English National Opera production of La Boheme, Coliseum Theatre, WC2, 7.30 pm.

MUSIC

London Fire Brigade band concert, Finsbury Circus Gardens, EC2, noon to 2 pm.

Henry Wood Promenade Concerts: BBC Northern Symphony Orchestra, conductor Raymond Leppard, soloist Heinz Hollinger, in programme of Strauss (Symphonic poem, Don Juan); Mozart (Concerto in C major for oboe and orchestra); Britten (Six Metamorphoses after Ovid—solo oboe); Elgar (Symphonic study, Falstaff); and Walton (March, Crown Imperial), Royal Albert Hall, SW7, 7.30 pm.

Daniel Barenboim (conductor/piano), Pinchas Zukerman (violin), Joseph Kalichstein (piano) and English Chamber Orchestra Wind Ensemble perform Berg and Schubert sonatas and concertos, Queen Elizabeth Hall, SE1, 7.45 pm.

SPORT

Cricket: Young England v. New Zealand, Leicester. Gillette Cup semi-finals: Somerset v. Essex, Taunton; Sussex v. Lancashire, Hove. Golf: Welsh professional championships, Whitchurch; Second City tournament, Sutton Coldfield. Swimming: Age-group championships, Coventry. Tennis: British under-21 championships, Manchester.

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Bank of Montreal
as Agent

COMPANY NEWS + COMMENT

Nottingham Manufacturing makes headway

FOR THE half year ended June 30, 1978, profits of Nottingham Manufacturing Company have shown an increase of £441,000 to £4.98m, on a turnover ahead £7.18m to £62.26m.

The directors emphasise that the first half figures are normally, because of seasonal factors, less than those of the second six months—for that period of 1977 turnover came to £73.21m and profits to £10.48m.

Products of the group include knitted outwear, hosiery and tufted carpets. Its largest customer is Marks and Spencer.

The interim dividend is raised from 0.912p to 1p net per 25p share at a cost of £519,000: the total for 1977 was 3.243875p.

	First half 1978 £000	1977 £000
Turnover	62,265	55,079
Trading profit	4,340	3,721
Investment income	969	1,026
Profit invest. sale	114	130
Convertible loan int.	345	349
Profit before tax	4,975	4,537
Profit after tax	†3,485	3,272

† Tax has been charged for 1978 at the estimated rate payable for the year. The charge for the first six months of 1977 has been adjusted to reflect the change in accounting policy for provision of deferred tax.

● comment

With more than two thirds of group profits normally accruing in the second six months, Nottingham Manufacturing's first half results are not an ideal guide to the full year outcome. Nevertheless, considering that at least three months of the period were buoyant in the retail sector, the one tenth profits rise was a little disappointing, and the shares dropped 6p to 128p. One possible explanation is that cheap imports are still a problem, in spite of the restrictions introduced as a result of the Multi-fibre Arrangement. In fact, textile and clothing imports in the U.K. for the period were almost a fifth higher. However, the prospects for the second half are a little brighter as imports are likely to drop dramatically as the pipeline clears. Consumer spending is continuing to rise and encouraging noises have been coming from Marks and Spencer, NM's largest customer (around one third of group sales). In addition, the company's tufted carpet interests (nearly a fifth of group sales) are now on the road to recovery. Overall, around £16m looks possible for the year, which puts the company on a prospective p/e of almost 6 on a 30 per cent. tax charge with a yield of 4.2 per cent. This compares with 7.5 and 7.5 per cent respectively for the textile sector.

INDEX TO COMPANY HIGHLIGHTS

Encouraging outlook for Wellman

PROSPECTS AT Wellman Engineering Corporation are encouraging but first half performance in the current year is likely to be lower Mr. Alan Hopkins, the chairman states.

The imbalance between the first and second months' results will be even greater than last time. Adding to this delays relating to payments from certain customers abroad will mean that profit on them will not be taken in the midyear results.

The group's outstanding order book is now some 30 per cent. higher than the same time last year which augurs well for the future, particularly as any significant improvement in demand for capital goods is still awaited, Mr. Hopkins tells members.

The directors still have money to invest in similar businesses and they continue to search for suitable acquisitions. Ideally they seek a presence in the U.S. but an appropriate vehicle is not easy to find he says.

On turnover down from £19.19m to £17.86m taxable profit for the year to March 31, 1978 improved to £1.55m (£1.41m) and the net dividend is raised to 2.396p (2.145p)—as reported July 7.

Adjusted to a current cost basis, along the Hyde guidelines, profit is reduced to £1.22m (£871,000) by extra depreciation of £166,000 (£164,000) and costs of sales of £43,000 (£181,000) and a net monetary adjustment of £121,000 (£393,000).

Year end net liquidity was down £238,000 (up £705,000) with £1.29m Government securities disposed of and short term deposits up at £2.4m (£1.49m).

Downturn for Intl. Investment

Profits before tax of the International Investment Trust amounted to £823,006 in the half year to July 31, 1978 compared with £834,269 in the same period last year. The total in 1977-78 was £1.66m.

Gross income in the half year was £1.01m against £941,660. Profit was after higher expenses, loans and interest of £184,548 (£107,291) but before tax, £285,148 against £314,390 including withholding tax, £18,188 (£19,880).

As forecast, the interim dividend is stepped up from 1.17p to 1.31p but the increase does not imply the total for the year—the previous final was 1.45p.

In May 1978, a five-year loan facility of US$5m was arranged. While interest on the loan is included in the half year and accounts for the reduced tax charge, income received from investments made with the proceeds has been minimal in the period, the directors say.

Valuation of investments at July 31 was £39.92m (£34.3m) and net asset value per share was 107.3p (90.8p) after deducting prior charges at par.

The preference dividend again absorbs £14,046 and the ordinary interim, £448,735 (£400,779).

ATV looks set for record as current year starts well

WITH all divisions of Associated Television Corporation trading profitably, Lord Grade, the chairman tells shareholders he is confident that record profits will again be achieved in the current year.

And to reflect its widely diversified activities, the name of the group is to be changed to Associated Communications Corporation. The name of the television subsidiary, ATV Network will remain unchanged.

For the year ended March 26, 1978, profits before tax rose 22 per cent from £11.16m to £13.7m on turnover of £113.39m against £86.89. The year's profit, a record, is 122 per cent higher than 1975-76, Lord Grade points out.

The balance-sheet show an amount of £10.3m deferred tax and the directors say the availability of stock relief, previously allowed to certain subsidiaries in respect of films and recorded programmes, has been questioned by the Inland Revenue, whose arguments are being contested.

Provision has been made for the maximum liability of some £10.9m which could arise if the claims of the subsidiaries affected were unsuccessful. Of this amount, £9.3m is included as tax deferred by stock relief and £1.6m is treated as a current liability.

At the appropriate moment, ATV Network will automatically be applying for the continuation of the seven-day Midlands franchise which it has held since 1968, following on the five-day Midlands franchise granted at the inception of Independent Television in 1954.

An analysis of group profit (£000's omitted) shows television £5,314 (£4,281); film production and distribution £2,296 (£1,834); music publishing £2,033 (£2,142); records and tapes £1,180 (£1,012); property £2,328 (£2,217); theatres £638 (£322); telephone answering machines £420 (£36 loss); merchandising £308 (£195); finance and insurance £366 (£470); theatrical costumiers £136 (£119); holding company charges were £1,497 (£1,395).

Current assets are shown at £75.9m (£48.86m) including film and music rights, recorded programmes, licences and scripts at £36.28m (£16.15m) while current liabilities of £51.98m (£38.39m) include partly secured advances from bankers of £22.35m (£9.76m).

Meeting, ATV House, W., September 14 at noon.

Freddie Mansfield

Lord Grade, who intends this year to embark on another round of world-wide travel, in order to promote British film and television productions.

Wiggins Construct rises to £0.44m

AFTER DEBITING a minority profit of £6,000 against £3,000, pre-tax profit of Wiggins Construct rose from £374,000 to £435,000 for the year to March 31 1978 after an interim advance to £141,066 compared with £106,186.

Turnover for the full period was ahead by £3.67m to £19.11m and pre-tax figure also included an associate company's loss of £9,000 (nil).

Tax took £197,000 (£135,000) and there was an extraordinary debit for the year of £34,000. The dividend payout for the year is stepped up to 1.649p (1.5421p) net per 10p share with a final of 0.879p.

Dufay up £67,000 midterm

FIRST HALF 1978 sales of Dufay Bitumastic were up slightly from £4.89m to £4.94m and pre-tax profits rose £67,000 to £375,000. Profit for the whole of 1977 slipped from £709,000 to £601,000.

The directors anticipate that results for the second half will prove to be satisfactory.

After tax of £195,000 against £161,000 net profit was £180,000 (£147,000) and first-half earnings are shown as 1.83p (1.52p) per 10p share.

The net interim dividend is effectively raised from 0.5833p to 0.5875008p and an additional dividend is announced of 0.012494p for 1977, on the reduction in ACT—last year's final payment was an adjusted 0.8245832p.

The 21 per cent increase in profitability is due entirely to the company's policy in pursuing other outlets for more technically sophisticated types of surface coatings, the directors state.

First-half pre-tax profit of subsidiary, Dufay Titanine was ahead from £203,000 to £218,000 on turnover of £2.96m against £3.18m. Tax took £113,000 (£107,000) and in line with the company's previous policy, there is no interim dividend.

Gresham passes £1m. mark

TAXABLE PROFIT of Gresham Investment Trust for the year to March 31, 1978, climbed from £716,000 to £1,011,000. This was only £39,000 short of the £1,050,000 record achieved in 1973-74, and follows the forecast of not less than £900,000 made in December.

Before tax of £79,000 (£23,000) capital profit rose to £263,000 (£84,000) of which £184,000 (£61,000) was retained.

The financial position of the company is exceptionally strong. Deposits and short-term indebtedness as at March 31 amounted to £2.14m, compared with capital and reserves of £9.7m, the directors point out. The group has made a good start in the current year and they expect to attain record profits.

Earnings per 25p share were 1p higher at 3.8p and a net final dividend of 1.30359p lifted the total to 2.01098p (1.81503p).

Tax on revenue took £308,000 (£260,000) leaving the net surplus at £613,000 (£456,000) of which £280,000 (£164,000) was retained. Had earnings from companies in which the group equity interest exceeded 20 per cent been included, net profit would have totalled £714,000, before an exceptional non-recurring attributable loss of £175,000 in one company. This loss arose from the trading and closing down costs of a business since discontinued by that company.

Net asset value after tax on unrealised profit on investments and other assets at year end was 65p per share and unlisted investments held, together with listed shares resulting from sales or flotations, had a book value of £3.51m and a market value or directors' valuation of £6.55m.

Since March 31, two unlisted investments have been sold at substantial capital profits. In 1970 a minority interest in a small instrument manufacturing company was acquired as part of a scheme to enable the manager to acquire the company from its sole proprietor. The company has prospered and an offer for cash for the whole of the issued share capital has been accepted by the shareholders.

Wren Trust has received £450,000 for its holding which had cost £30,000 and a further payment of up to £210,000 will be received if certain profit projections for the current year are reached. Wren Trust has also disposed of its minority interests in another private company for £525,000 in cash. This interest had been acquired in 1970 for £125,000.

Strenuous efforts to promote the group's expertise in providing share and loan capital for the expansion and venture capital, are beginning to bear fruit and the company now has an above average number of potential investments under consideration, the directors add.

Broadstone Inv.

For the first half of 1978 Broadstone Investment Trust reports an advance in pre-tax revenue from £509,620 to £646,082.

After tax of £231,423 against £187,963 net revenue rose from £321,666 to £414,659.

The interim dividend per 20p share is stepped up from 1.4p to 1.55p net. Last year's total payment was 5.15p.

MITCHELL SOMERS

The directors of Mitchell Somers have considered the provisions of the dividends bill which prevents the company from carrying through its intention to pay a final dividend of 1.6p in respect of the year to April 1, 1978.

In order to provide shareholders with the income which they had been promised, the directors have declared an interim dividend of 1.6p on account of the March 31, 1979, year, payment of which is to be brought forward to September 18.

York Trailer aiming for £2m

AS EXPECTED at the end of the first quarter, profits before tax of York Trailer Holdings, at £861,000 for the first half of 1978 are below the £1.14m achieved in the same period last year.

However, the outlook is significantly brighter for the second six months, the directors say. Second half profits are expected to be higher than those now reported and revised budgets point to profits of not less than £2m for the year against the 1977 record of £2.74m.

The interim dividend is lifted from 1.071p to a maximum permitted 1.196p and due to reduction in tax a supplementary final dividend for 1977 of 0.016p per share is also recommended—last year's total of 2.143p included a 1.072p final.

The directors say the adverse factors in the first half especially centre upon Anthony Carrimore through the inability of this company to effect substantial shipments against outstanding orders from certain developing countries.

This is the result of import permits being temporarily withheld pending improvement in their foreign exchange position. Resulting from this Carrimore suffered an overall loss for the first half year—in contrast to good profits of a year earlier.

The present backlog of orders is very good for all companies in the group, and Anthony Carrimore is making excellent headway in reorientating sales to other markets, the directors say.

● comment

The market had been prepared for interim results "somewhat below" last time but York Trailer's 25 per cent pre-tax profits slide left the shares 3p lower at 55p. Foreign exchange difficulties, particularly in West Africa, provide the biggest headache and Carrimore (with some 50 per cent of sales overseas) has slumped from a £400,000 profit last year to a small loss this time. Overall, the group expects exports to reach only £10.5m in the current year (£14m). Elsewhere the home market has been quiet after last year's commercial trailer boom, but there are signs that demand is picking up again. The other acquisition Scammel showed a further modest advance but it not likely to show any dramatic improvement given its large number of competitors. Meanwhile, York, is looking to components and more long term, Carrimore, for the biggest potential earnings growth. In particular, there is scope for the latter in the UK and in Europe, though expansion nere may take time. At 55p the shares stand on a prospective P/E of just over 6 on a full tax charge and a yield a prospective 6.5 per cent.

Bishopsgate Prop. qualified

Auditors, Peat Marwick Mitchell and Co. have again heavily qualified the accounts of Bishopsgate Property and General Investments.

They say they are not able to confirm that the company will be able to achieve the orderly realisation of assets by December 20, 1978, sufficient to repay a loan of £11,546,832 by that date.

Also, they are not able to confirm the values attributed to the following assets; capital contributions in one of the property companies in Germany valued at the directors' estimate of ultimate realisable value at £1,763,542; a loan to a group of companies engaged in land and housing development in the UK valued at £1,857,497, and an interest in a property owning partnership in Australia valued at £250,000.

Mr. H. N. Sporborg, the chairman, tells members in his annual statement that the future of the company is still extremely uncertain. But, even if the company has to cease trading, the progress which has been made so far, justifies, the directors feel, the rearrangements negotiated with the lending banks last year.

Meeting, 41, Bishopsgate EC., September 7, at 3.30pm.

King & Shaxson Limited

52 Cornhill EC3 3PD

Gilt Edged Portfolio Management Service Index 15.8.78

Portfolio I Income	Offer	81.23
	Bid	81.19xd
Portfolio II Capital	Offer	139.48
	Bid	138.40

ISSUE NEWS

Yearlings unchanged

The coupon rate on this week's issues of local authority yearling bonds is unchanged at 9½ per cent. Issued at par, they are due on August 22, 1979.

The one-year issues are: City of Coventry (£1m), Daventry District Council (£0.5m), District of the Wrekin (£0.5m), City of Salford (£0.25m), City of Manchester (£2.5m), Tayside Regional Council (£1m), Adur District Council (£0.25m), Cambridge City Council (£1m), London Borough of Southwark (£1m), Test Valley Borough Council (£0.25m), Tyne and Wear County Council (£2m), London Borough of Barking (£1m), Northavon District Council (£0.25m), South Shropshire District Council (£0.25m), Tonbridge and Malling District Council (£0.25m), West Wiltshire District Council (£0.5m), Slough Borough Council (£0.5m), Lancaster City Council (£0.5m), East Staffordshire District Council (£0.5m), Llanelli Borough Council (£0.25m), North Wiltshire District Council (£0.25m).

Four-year bonds, due on August 11, 1982, are being issued by Dacorum District Council (£0.5m) and Borough of Ellesmere Port and Neston (£0.5m), carrying a coupon rate of 11.5 per cent at par.

Variable rate bonds are being issued at £99¾ per cent by Havant Borough Council (£0.5m), Nuneaton Borough Council (£0.5m), and London Borough of Southwark (£1m), due on August 10, 1983. The rate of interest will be ¾ per cent above LIBOR.

TECALEMIT

Tecalemit announces that acceptances have been received in respect of the recent rights issue amounted to 1,749,313 shares (84.7 per cent).

The balance has been sold and proceeds distributed to entitled shareholders. Treasury consent has been granted for the payment of an aggregate dividend of 8.295p gross for year to March 31, 1979 as previously intimated.

WM. LEECH

William Leech (Builders) announces that acceptances have been received in respect of approximately 99 per cent of the 3m new ordinary shares offered by way of rights to ordinary shareholders.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Ailsa Investment	2.93	Sept. 29	2.5	4.83	4.1
Broadstone Inv. int.	1.55	Oct. 2	1.4	—	5.15
Peter Brotherhood 2nd int	0.01**	Sept. 1	—	—	—
Cap. and Natl.	3.1	Nov. 24	3	4.6	4
Cap. and Natl. int.	1.75	April 6	1.5	—	[illegible]
Dale Electric	0.94†	Oct. 13	1.44*	3.67‖	2.45*
Dufay Bitum. §int.	5.09	—	0.58*	—	1.41*
Gresham Inv.	1.3	Sept. 5	1.18	2.02	1.82
Intl. Investment int.	1.31††	Oct. 6	1.17	—	2.62
Lambert Howarth int.	1	Oct. 2	0.9	—	3.17
L. Newmark	4.22	Oct. 20	4.02	6.72	6.02
Nottingham Mnfg. int.	1	Dec. 1	0.91	—	3.24
Press Tools	1.05	—	0.96	1.71	1.53
Reliance Knitwear	1.87	Oct. 5	1.88*	3.21	2.88*
Smith and Nephew ‖int.	0.94	Oct. 2	0.81	—	2.43
Wiggins Constr.	0.88	Oct. 2	0.8	1.65	1.54
York Trailer int.	1.19	Oct. 2	1.07	—	2.16‡

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Supplementary final of 0.016p lifts total from 2.143p to 2.159p. § Additional 0.012494p for 1977 on reduction in ACT. ¶ Additional 0.0245p for 1977 on reduction in ACT. ‖ For 16 months. ** Payment 0.0963p for 1977-78 on reduction in ACT. †† No implication of increased total.

TO THE HOLDERS OF

The Long-Term Credit Bank of Japan Finance N.V.

$60,000,000 Floating Rate Notes due 1983

In accordance with the provisions of the above Notes, Bankers Trust Company, as Reference Agent therefore, has established the Rate of Interest on such Notes for the semi-annual period ending February 15, 1979 as nine and one sixteenth per cent (9 1/16%) per annum. As calculated in accordance with Clause 2(d) of such Notes, the Interest due on such date which will be payable on surrender of Coupon No. 2 of each Note (the "Coupon Amount"), amounts in United States Dollars to $46.32.

BANKERS TRUST COMPANY, LONDON
Reference Agent

DATED: August 11, 1978.

DALE

A 'year' of solid advancement.

Leonard Dale, Chairman, says:

"It has been a successful 'year' for Dale Electric International. The entry of Houchin to the Dale Group has proved as positive as anticipated.

Generating set markets in the U.K. and overseas remain buoyant and the company is generally improving its market shares.

The outstanding order book stands at £20.8m, an increase of 51 per cent, over the equivalents of 12 months ago.

Significant product and market developments are expected in the current year.

Output is at record levels, even exceeding growth targets.

Investments in new factories, projected at £1 million, for Houchin, Erskine and Conyers will generate greater growth for subsidiaries."

Leonard Dale, MBE

HIGHLIGHTS...16 MONTHS ENDING 30 APRIL 1978.

	16 MONTHS TO APRIL 30th 1978	12 MONTHS TO JANUARY 1st 1977
TURNOVER	£22,608,000	£12,302,000
PROFIT (Pre-tax)	£3,430,000	£2,135,000
DIVIDEND (per share)	3.6688p	2.4392p

Copies of the Annual Report will be available from the Company Secretary.

DALE

Dale Electric International Ltd.

Electricity Buildings, Filey, Yorkshire YO14 9PJ. Telephone: 0723 514141.

Fixed Deposits with Lombard

If you have £5,000 or more to invest for a fixed period of 3 months or longer, telephone our Treasury Department on 01-623 4111 or 01-623 6744 for up-to-the-minute competitive interest rates. Interest is paid without deduction of tax at source.

Lombard North Central Limited
Bankers

Treasury Dept., 31 Lombard St., London EC3V 9BD. Telex: 884935.

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INITIAL

Principal Services

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Cleaning Cloths
Contract Cleaning
Janitorial Supplies
Dustmats
Drinkmaster

Manufactures

Towelling
Towel Cabinets
Fabric
Cleaning Cloths
Workwear
Bathroom Fittings
Dustmats

Territories Served

England
Scotland
Wales
Northern Ireland
Eire
Netherlands
Germany
Belgium
France
Singapore
Malaysia
Western Australia
South Australia
Victoria
New South Wales
Queensland

INITIAL SERVICES LTD

Incorporated 17 September 1928

Results—years to 31 March

	1978 £	1977 £
Turnover	93,358,457	75,756,058
Operating profit	9,854,077	6,835,388
Taxation	4,075,889	1,422,634
Profit to members	5,192,380	5,339,784
Dividends	1,955,603	1,754,441
Retained profit	3,236,777	3,585,343
Earnings per 25p share	13.2p	12.8p

Chairman's Review (extracts)

"It is pleasing in a Jubilee Year to be able to report a record profit. From turnover up by 23%, the operating profit is 44% higher than in the previous year."

"This was effected despite discouraging economic conditions in Europe and Australia, as well as in Britain. Most of the group's activities contributed to the advance, which was broadly based."

"As servants primarily of industry and commerce we are closely linked with their success; nothing would suit us better than a general resurgence of economic activity. That apart, we have more benefit to come from the money and effort expended in recent years in development. First indications from trading in the new financial year point the right way."

Copies of the Report and Accounts may be obtained on application to the Secretary at 100 Garratt Road, London FC1V 7LL.

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MINING NEWS

Partner plan for A$300m Yeelirrie uranium

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S Western Mining is to take in Esso Exploration and Production Australia (an offshoot of EXXON) and Urangesellschaft as partners for the development of the Yeelirrie uranium prospect in Western Australia. It is expected to cost some A$321m (£190m) and will have an annual production capacity of approximately 2,500 tonnes of uranium oxide. Production is expected to start towards the end of 1984.

The joint venture will be managed by Western Mining with a 75 per cent stake, Esso having 15 per cent and Urangesellschaft 10 per cent. Financing will on a product pre-payment basis with the result that Western Mining's total contribution to the project will be the orebody, design and development work to stage one and its 10 per cent share of the A$21m cost of that stage.

Stage one will take three years and include the cost and operation of a plant to determine the most efficient treatment process for the ore: further drilling of ore reserves; and testing for water supplies. It is expected the necessary Governmental approvals will be received in order to start work on stage one by early 1979.

Stage two will be the development of the mine to production and will cost some A$300m. Western Mining's 75 per cent share of the stage two cost will be secured against the company's share of the Yeelirrie project assets.

Western Mining says that 35 per cent of the cost will be financed through a firm prepayment arrangement—against uranium oxide sales of that percentage to Esso. Both Esso and Urangesellschaft will also take production in proportion to their equity which means that 60 per cent of the output is already spoken for. It is expected that the balance of Western Mining's cost will be financed through similar arrangements with other customers.

Our Sydney correspondent says that the scheme, which is designed to fit in with the Australian Government's guidelines on overseas participation in uranium developments, has softened the blow of Western Mining's accompanying news of a sharp fall in earnings for the year to June 27. Hit by the weakness of nickel markets, they have dropped to A$16.1m from A$22.1m and the dividend total is halved to 3 cents.

Sir Arvi Parbo, the chairman of Western Mining, said yesterday that the prepayment sales would be done at market prices at the time of production. Under present Government guidelines uranium producers can negotiate export sales but contracts cannot be signed.

He added that Western Mining was not selling the ore for cash and that it was being sold domestically. He said Western Mining was selling it to the joint venture partners and they would have the problem of exporting it.

The premier of Western Australia, Sir Charles Court, welcomed the proposal and said it enhanced the prospects for the establishment of a uranium enrichment plant in Western Australia, which had long been an objective of the State Government. Western Mining shares were 146p in London yesterday.

Meanwhile, the Australian Government has disclosed in the 1978-1979 Budget documents that the estimated cost of the Ranger uranium project in the Northern Territory has now risen to A$320m. The Government, through the Australian Atomic Energy Commission, has to contribute 72.5 per cent of the capital costs, or A$232m, in return for 50 per cent of the earnings, under an agreement with the discoverers, Peko Wallsend and EZ Industries.

The Budget papers estimate that A$44m will be required in 1978-79, of which A$24m will be borrowed by the AAEC and A$20m provided directly by the Government. The Government's contributions will be financed primarily by borrowings by the AAEC.

Oppenheimer calls for S.A. economy boost

COMMENTING ON the South African economy Mr. Harry Oppenheimer, chairman of Anglo American Corporation says in his annual review that with the ending of the recessionary phase the time has come to stimulate expansion and he calls for measures to encourage foreign investment.

He believes that such investment would be attracted by a stable and expanding economy. This would also hold the prospect of further progress in conditions for the black population; he feels that an economic boycott of South Africa would not cause the Government to change it racial policy, but would only harden its attitude and produce greater suffering.

Mr. Oppenheimer continues to stress the need for black advancement, pointing out that job reservation has been ended in the Republic's iron and steel industry where "it is now possible to promote workers and offer them terms of employment that are in no way connected with race."

He also believes that black workers should be included in the trade union movement. Black trade unions are not forbidden by law in South Africa but they are not recognised in terms of the industrial reconciliation act and are left out of the field of collective bargaining.

He adds that: "As and when black trade unions emerge which are properly conducted and reasonably representative we should certainly be prepared to recognise and negotiate with them even though they may not as yet be officially recognised in terms of the legislation." Anglo American's aim is "the elimination of race as a factor in determining wages and other conditions of employment."

Turning to the mining outlook, Mr. Oppenheimer says that South Africa's coal export earnings have now reached third place behind gold and diamonds. Of gold and uranium, he believes that if prices stabilise at current levels capital expenditure will fall from the beginning of the 1980s "when the mining industry will start to reap its reward."

Anglo is seeking to increase its interests in Brazil "perhaps with acquisitions from time to time." Work is continuing on the possible establishment of a gold mine on the Jacobina prospect in Bahia and a number of base metal projects are being followed up.

BRINCO ON THE BOULDER TRAIL

An intriguing report from the Rio Tinto-Zinc group's Brinco Canadian exploration arm states that the company and its joint venture partner Urangesellschaft, have discovered eight boulders with a high content of uranium lying some 8 km north of the partners' Michelin uranium prospect in eastern Labrador.

The first two of the boulders have assayed 13.33 per cent and 13.96 per cent uranium oxide, respectively, and the others are still in process of being assayed.

The bedrock source of the boulder has not been located and their significance is not yet known, but exploration work is continuing. The find is in an area were a low-grade uranium boulder train had been previously located.

Northgate's half-year

CANADA'S Northgate Exploration reports a half-year consolidated net income of C$565,000 (£250,000) compared with C$832,000 for the same period of last year. The latest results include exchange gains of C$668,000 against only C$378,000 last time.

Because of the weakness of metal markets, there was an operating loss of C$613,000 in the past half-year, despite an improvement in the second quarter which stemmed from higher production of lead concentrates and a better lead price.

The company adds that because of the labour dispute, operations at the Irish Tynagh lead-zinc mine in County Galway were suspended on July 10. Negotiations are continuing in an effort to resolve this problem and so enable operations to be resumed. Northgate shares were 385p yesterday.

ROUND-UP

The Department of Industry has issued a circular to planning authorities in England and Wales to indicate some of the sources to which they can turn for advice in dealing with planning questions relating to mineral workings. The circular, 1/78 available from the Stationery Office, complements a Department of Environment circular on the same subject. It is the result of a recommendation by the Stevens Committee on Planning Control over Mineral Working.

* * *

Spargo's Exploration, which is also involved in the Western Australian diamond search, intends to develop its gold prospects. It has reached agreement for the re-opening of the Timoni gold mine at Mount Ida which closed in 1967 after having been worked for 34 years and has started negotiations to finance the development of the Queen Margaret gold mine at Bulong.

Inchcape will still seek opportunities overseas

FOR SOME year Inchcape has been forced to take steps to increase its profit base in the UK but it will continue to look for new opportunities overseas, says the chairman, the Earl of Inchcape, in his annual statement.

The group will look to those countries which it knows well, in addition to others in which it is not yet well established. This applies particularly to the Pacific Basin where there are good grounds for believing that considerable growth can be achieved.

Also, says Lord Inchcape, it is aimed to increase to worthwhile proportions the relatively small investments made to date in the U.S. and Latin America. In those countries the directors hope to use some degree the specialised knowledge of overseas territories and marketing expertise which they have accumulated over the years.

A geographical split of attributable net asets shows (in percentage): Africa 7 (11), Australia and South Pacific 8 (6), Caribbean 1 (same), Far East 21 (24), India 1 (same), Middle East 11 (7), North and South America 1 (same), South East Asia 26 (28), UK and Europe 24 (21).

Turning to the outlook for the group in the current year, the chairman reports that to date conditions have followed the rather flat pattern set in the second half of last year, but there are signs that there may be some improvement later in the year, "though this is not likely to be dramatic."

As reported on July 28, in a full preliminary statement, profits for the year ended March 31, 1978 fell from £73.38m to £62.27m, with the second half showing a drop of £12.66m. The dividend is stepped up from 10p to 15p—the company enjoys exemption from dividend controls.

During the year the group raised £17.97m by the sale of fixed assets, investments and shares in subsidiaries, but spent over £55m on the purchase of similar items. Net liquid funds fell by £19.36m — increase in bankers' and short term loans £35.99m, less rise in cash balances £16.63m.

Investments were shown in the balance sheet at £38.49m. Market value of listed companies was £19.83m and directors' valuation of unquoted stood at £25.32m.

Increase at Capital & Natnl. Trust

Gross income of the Capital and National Trust rose from £1.12m to £1.24m in the year ended July 31, 1978 and after expenses, interest and tax, revenue attributable to the ordinary shares amounted to £692,864 against £611,438.

Earnings per 25p share are shown at 4.08p (4.16p) and the final dividend is 3.1p making a total of 4.6p compared with 4p previously. The directors are also declaring an interim dividend of 1.75p for 1978-79, payable on April 6 next year.

Management expenses amounted to £39,965 (£36,111), interest £47,500 (same) and tax took £480,805 against £395,034.

Net asset value per ordinary and "B" ordinary share is 180p compared with 150p last year.

Smith & Nephew 25% interim profit rise

IN THE second quarter of 1978 Smith and Nephew Associated Companies has produced third party sales of £42.2m and profits of £4.79m.

Therefore, for the 24 weeks ended June 17, turnover has risen 7.9 per cent to £84.77m and profits before tax show an advance of 25.5 per cent at £9.28m.

The profit includes an exchange gain of £330,000, against a loss of £200,000. But by the end of July this gain had been eliminated through the improvement of sterling, particularly relative to the U.S., Canadian and Australian dollar and the South African rand.

Excluding UK deferred tax, the tax charge for the 24 weeks is £2.92m (£2.3m) and leaves earnings at 4.02p (3.4p) per 10p share. Had a provision for deferred tax been made, the tax charge would have been £4.57m (£3.66m) and earnings 3.02p (2.49p).

The interim dividend is being stepped up from 0.813p to 0.935p net, and includes an addition of 0.0245p to the 1977 final following the reduction in ACT.

Holders of £2.61m of the convertible unsecured loan stock elected to convert their holdings into 5.23m ordinary shares on May 31.

	24 weeks 1978 £000	1977 £000
Third party sales	*84,773	78,537
Operating profit	9,357	8,142
Exchange gains	330	†200
Interest paid	1,391	1,023
Associates' share	758	431
Profit before tax	9,284	7,400
Taxation	‡2,925	2,300
Minorities	20	10
Attributable	6,339	5,090

* Excludes inter-company sales and sales by associates. † Loss. ‡ Excludes UK deferred tax.

The group manufactures surgical, medical and sanitary products, textiles and clothing, toiletries plastics. The third report covering the 40 weeks ended October 7 will be issued in mid-December.

From September 1, Mr. Eric Kinder will become a deputy chief executive, and Mr. J. Benson and Mr. J. N. Hillman, managing directors of the textiles and hygiene divisions, will be appointed to the board.

● comment

Latest figures from Smith and Nephew are encouraging. Sales growth, which slowed down during the last financial year and started the current year in unpromising style (only up by 5.5 per cent), has risen by over a tenth to £42.2m in the second quarter. Margins have also been firmer helped by good ordering in medical and health care sales. Here, although a substantial amount of orders are exported, prices held up in spite of a strong pound. But there is usually a three to six month delay before currency movements filter through to the group's trading performance. Personal hygiene products have been helped by a 4½ per cent price rise. Elsewhere on the trading front the problematic plastics operations in Canada have shown real improvement, while UK cosmetic sales have had a good half year. So £20m pre-tax for the full year looks a reasonably conservative expectation—a 16 per cent improvement. The shares, at 76p, are at their high for the year, and could go higher. For Smith and Nephew could have some freedom under the new dividend rules. A 15 per cent half way dividend increase, could be maintained in a similar increase for the full year. On prospective profits the shares stand on a p/e of 11.8 (assuming a 52 per cent tax charge) or 6.6 on a similar tax charge to the previous year. Assuming a 15 per cent dividend increase the shares yield 5.5 per cent.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Arcolectric, Barrow Hepburn, Britannic Assurance, British Aluminium, Dreamland Electrical Appliances, Moorside Trust, Olives Paper Mill, A. G. Stanley, Tiger Oats and National Milling, Tube Investments, F. W. Woolworth.

Finals: Ewart New Northern, Garford-Lilley Industries, Melody Mills, Regional Properties, Joseph Webb, United Dominions Trust, A. J. Worthington.

FUTURE DATES

Interims—

Allen Harvey and Ross	Aug. 29
London Brick	Aug. 23
Pearl Assurance	Aug. 30
Steetley	Sept. 12

Finals—

Associated Tooling Industries	Aug. 17
Cooper Industries	Aug. 17
Meat Trade Suppliers	Aug. 22
Parker Timber	Sept. 1
Smith Wallis	Aug. 23
Victor Products (Wallsend)	Aug. 23

Progress for Ailsa Trust

AFTER TAX of £189,834 against £172,710, revenue of Ailsa Investment Trust improved from £318,991 to £361,358 for the year ended May 31, 1978. Gross income was higher at £627,538 compared with £567,686.

Earnings per 25p share are 5.01p (4.39p) and a final payment of 2.92871p raises the total for the year from 4.10038p to 4.82871p net.

Net asset value is shown at 142p (125p) per share.

Dale Electric reaches £3.4m

INCLUDING five and a half months results of the recently merged Houchin, pre-tax profits of Dale Electric International amounted to £3,429,977 for the 16 months to April 30, 1978, compared with £2,135,698 for the previous year.

In October, when reporting first-half profits marginally higher at £1,103,421 (£1,073,043), the directors said that because of increasing administrative difficulties they had decided to change the December 31 accounting date to coincide with Houchin's year-end.

Mr. Leonard Dale, the chairman, now says that the outstanding order book stands at £20.8m—a 51 per cent increase compared with a year ago—and output is at record levels, even exceeding growth targets.

With the UK and overseas markets for the group, which makes electric generating sets, remaining buoyant, it is generally improving its market share and a projected investment of £1m in new factories will generate greater growth for subsidiaries, he adds.

Significant product and market developments are expected in the current year.

Turnover for the 16 months totalled £22.61m against £12.3m in 1976. After tax of £1,793,968 (£1,123,849) net profits were £1,636,009 (£1,011,849).

Earnings for the period are 14.59p (10.04p) per 10p share, while the dividend total is effectively raised on increased capital from an adjusted 2.45025p to 3.6688p net for the 16 months, with a final of 0.9448p.

● comment

Comparisons at Dale Electric are doubly complicated with the change in year end and only a 5½ month contribution from Houchin. Stripping out that acquisition's £½m, profits for the 16 months emerge at about £2.9m, but the 5 per cent advance on an annualised basis fails to highlight a better showing in the second half of the financial period: the first six months were held back by the disruption of alternator supplies. Overall, gross margins are half a point better than those achieved by Petbow in the year to end March. Meanwhile, Dale has high hopes for Houchin (ground equipment for aircraft) which should make £1.3m in a full year. Sales of a new plug in aircraft starter are picking up while Houchin products now give the group a complete range of generator equipment, with further models planned for the current year. Exports account for some 60 per cent of sales and overseas offices have been opened recently in the Middle East and Houston. The shares fell 4p to 172p yesterday where they yield 3.2 per cent against Petbow's 5.2 per cent.

Chubb Fire ahead at £2.73m

PRE-TAX PROFIT of Chubb Fire Security, fire fighting equipment manufacturer, was up slightly for the March 31, 1978, year from £2.68m to £2.73m on turnover ahead by £5.56m to £36.01m.

However, after a tax charge for the year of £1.5m compared with £1.44m last time, net profit emerged lower at £1.23m against £1.24m. Dividends absorb £0.63m (£0.63m).

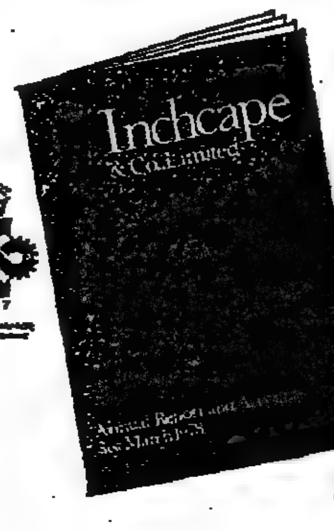
The ultimate holding company is Chubb and Son which yesterday announced a rights issue on the basis of one-for-four at 118p.

Inchcape in 1977-1978

Highlights of the year

ENDED 31st MARCH	1978 £000	1977 £000
Profit before taxation	62,274	73,383
Profit attributable to ordinary shareholders after extraordinary items	33,201	32,425
Earnings per ordinary share	40.7p	42.5p
Dividends per ordinary share (with tax credit)	22.524p	15.258p

Inchcape
& Co. Limited



If you are not a shareholder and would like to know more about the Inchcape Group, please send this coupon to:
The Director, Public Relations, Inchcape & Co. Limited,
40 St. Mary Axe, London EC3A 8EU.

Name ____________________

Address ____________________

F.T.

We take pleasure in announcing
the admission of

James W. Glanville
Ian K. MacGregor
Alan Roberts McFarland, Jr.
Ward W. Woods, Jr.

as General Partners in our firm
effective September 1, 1978.

LAZARD FRÈRES & CO.

Alcan (UK) slumps midway

THE DIRECTORS of Alcan Aluminium (UK) report a slump in pre-tax profits for the first half of 1978 from £14.7m to £5.1m. Sales fell slightly from £137.3m to £136m.

The directors state that low demand for the company's products, particularly in the first quarter, combined with intense price competition and resulted in heavy pressure on margins.

The comparative strength of sterling encouraged imports and decreased profit on exports.

However, in the second quarter the volume of orders gradually improved, although price competition remained severe; volume of sales increased by 14 per cent during the second quarter compared with the first and resulted in pre-tax profits of £3.6m compared with £1.5m for the first quarter.

	Six months 1978 £000	Six months 1977 £000
Sales	136,000	137,300
Depreciation	4,309	4,100
Interest	3,520	4,400
Other income	290	400
Exchange loss	200	*700
Pre-tax profits	5,100	14,700
Tax	2,900	7,700
Net profit	2,200	7,000
Minorities	—	800

*Gain.

Demand is expected to increase with a consequential improvement in profits in the second half of the year, the directors add.

After tax of £2.9m against £7.7m earnings per £1 share are shown as 5p (18.2p) and an interim dividend of 3.3p is to be declared on September 13 for payment on October 10.

Depreciation for the period took £4.3m (£4.1m) and pre-tax profit was struck after interest £3.5m (£4.4m), other income £0.3m (£0.4m.) and a currency exchange loss of £0.2m (£0.7m gain). Minority interest, last time, was £0.8m.

See Lex

£0.25m by Press Tools

RECORD profits before tax of £250,127, compared with £176,251, from peak turnover of £2.31m against £1.74m are reported by Press Tools for the year ended April 30, 1978.

With first half profits up from £72,000 to £124,000, the directors said the group had orders and facilities to produce record sales and profits but they were dependent on uninterrupted services from their nationalised industries to achieve this potential.

After tax of £120,612, against £90,982, earnings per 10p share are shown at 6.03p (4.26p).

A final dividend of 1.0505p raises the total from 1.5319p to 1.7105p and Mr. M. B. Barber, the chairman, Mr. A. Palser, a director, and two shareholders intend to waive the final on a total of 350,000 shares.

JOHN MICHAEL

The directors of John Michael (Savile Row) say accounts for the year to January 31, 1978, will be late because of a delay in the receipt of information from overseas relating to the group accounts. It is anticipated that these accounts will be submitted within five weeks.

Louis Newmark meets forecast

PRINCIPALLY DUE to its product ranges in the electro-mechanical and electronic fields, Louis Newmark expanded taxable profit from £1.84m to a record £2.1m for the year to April 1, 1978, compared with a £2m forecast made at half time, when £916,000 against £753,000 was reported.

Yearly turnover rose £3.1m to £23.74m and profit was struck after depreciation of £410,000 (£288,000).

Tax took £1.09m (£964,000) and earnings improved from 28.5p to 33p per 25p share. A final dividend of 4.2214p lifts the total payment to the maximum permitted 6.7214p (6.0223p) net. Retained profit was £780,000 (£660,000).

The group's activities are in electronic and precision engineering and watch distributing.

Lambert Howarth ahead so far

For the 24 weeks to June 17, 1978, profits before tax of Lambert Howarth Group, footwear manufacturer, improved from £102,374 to £141,249, on lower sales of £5.28m, compared with £5.75m.

Competition from imported footwear continues to restrict the group's production levels and profit margins, say the directors.

The pattern of trading is similar to last year, while the reduction in turnover is matched by an increase in finished goods stocks which are held against firm contracts for delivery before the year-end, they add.

The result was after depreciation of £101,512 (£104,904) and investment income of £7,311 (£8,644). Tax takes £73,500 (£53,000) leaving net profits ahead from £49,374 to £67,749.

The net interim dividend is 1p (0.9p) per 20p share costing £30,000 (27,000)—last year's final was 2.27p paid from £474,000 taxable profits.

Reliance Knitwear advances

IN LINE with the midway forecast of improved results, pre-tax profits of Reliance Knitwear Group advanced from £781,337 to £825,656 for the year to April 30, 1978, on sales of £14.94m against £11.68m.

In February, when reporting first-half profits of £391,000 (£384,000), the directors said that trading was continuing at reasonable levels although margins were still not satisfactory. An improvement in sales was anticipated but not in time to affect full-year results.

They now state that present order books are good and that the group is diversifying into sports and leisure activities.

After tax of £111,450 (£86,787), an exceptional tax credit this time of £343,750 and a £404,691 extraordinary debit, attributable profit for the year fell from £694,550 to £653,185.

As forecast, the dividend is effectively raised to the maximum permitted 3.21p (adjusted 2.875p) net, with a final of 1.81p. Earnings per 20p share are 12.19p (11.85p).

Group figures include a small contribution from its new acquisition, Barralan-Leicester for four months.

Anglo American Corporation of South Africa Limited

(Incorporated in the Republic of South Africa)

Boycott would not bring change in South Africa's racial policy, says Mr. Oppenheimer. Best approach is through economic growth accelerated by overseas investment

Points from the statement by the Chairman Mr. H. F. Oppenheimer

Massive unemployment or under-employment will not be avoided and social stability will be at risk unless the South African economy can resume a rapid rate of growth. The material and human resources for growth on an adequate scale are certainly there but they cannot be turned to account unless the necessary investment capital is made available. This cannot be found in full from local sources and the country's greatest need is therefore a renewed inflow of investment funds on a large scale from overseas.

It is just because our prosperity and stability are at this juncture so dependent on investment from abroad that many individuals and groups who disapprove of the country's official race policy believe that an economic boycott—if it could be made effective—would force South Africa to change that policy radically.

Economic Growth

If a boycott did in the long run produce change it could only be violent change induced by the sufferings that it would have inflicted on black people. It is difficult to believe that any end could justify such means, and particularly so when the opposite policy of stimulating economic growth must bring about major improvements in the opportunities, conditions of employment and wages of the black workers. Such developments would almost certainly also lead to the more rapid elimination of racial discrimination, particularly in the highly sensitive areas of education, security of tenure, and in regard to the harsh restrictions that exist on the movement of black workers

Industrial Relations

This whole field is now under consideration by the Wiehahn commission whose report is expected later this year. One of the most important questions with which the commission must be concerned is that of black trade unionism. Trade unions are an integral part of the free enterprise system in South Africa and throughout the West. Those of us who are committed to the extension of this system should see the inclusion of black workers in the trade union movement as a healthy and desirable development.

We have made further progress in implementing the Group's policy of improving the earnings, living conditions and productivity of our black employees. Our aim is the elimination of race as a factor in determining wages and other conditions of employment.

In our desire to achieve a more stable labour force we are planning to reduce the proportion of migrants by providing more of our senior workers—as we are now permitted to—with family accommodation in mine villages or nearby townships. Indeed major housing programmes are in hand for all the Group's mines, and good progress is being made.

Gold and Uranium

The strength of the gold market in face of the additional supplies arising from the United States' auctions is encouraging.

The uranium market has remained firm during the last year. Production from gold mines in the Anglo American Group is quickly being stepped up and the position is not far off when our Group will be supplying half of the uranium produced in South Africa.

Diamonds

Diamond sales by the Central Selling Organisation in 1977, which was a record-breaking year for De Beers in all respects, increased by 33% compared with 1976.

The De Beers group has never been more active and innovative and though the years ahead will no doubt have their stresses and strains, I feel sure that it can face the future with confidence.

Coal

Amcoal, the Group's principal coal company, achieved satisfactory growth, increasing turnover by 31% to R259 million and earnings by 68% to R47 million.

The Group's coal interests with their wide spread of business and very large coal reserves, will continue to earn substantial profits and are exceptionally well placed to participate in the further expansion of the trade.

Industry

Although trading conditions in the home and overseas markets were even more difficult in 1976 our industrial interests generally made further progress during the year.

Features of the Consolidated Financial Statements at March 31 1978

As from January 1 1977 Rand Selection Corporation was merged into Anglo American Corporation to form a mining finance house of very great strength.

The merger was accompanied by a change in Anglo American Corporation's year end to March 31.

The accounts for the fifteen months ending March 31 are therefore not comparable with those covering the year 1976.

	R000's
Issued ordinary capital and reserves	858 319
Listed general investments	
Book value	713 779
Market value	1 996 731
Unlisted general investments	
Book value	121 796
Directors' valuation	272 296
Investment income – general investments	213 179
Equity earnings	195 036
per share	89.9 cents
Dividends on ordinary shares	99 132
per share (includes a special interim of 8.25 cents a share)	45.25 cents
Number of issued ordinary shares	222 964 532

For the Chairman's full statement and/or a copy of the annual report please complete the coupon and send to the address below.

To: Anglo American Corporation of South Africa Limited,
Room 50, 40 Holborn Viaduct, LONDON EC1P 1AJ
☐Chairman's statement ☐Annual report

Name

Company

Address

BIDS AND DEALS

BHG raising £0.8m by NZ flotation

Barrow Hepburn Group is to float its New Zealand hide processing and exporting subsidiary, Colyer Watson, on the New Zealand stock market.

Barrow intends to retain 40 per cent of the equity of a new company, Colyer Watson Holdings, which will acquire Colyer Watson and the remaining shares will be issued at NZ$ 1.20p a share.

This will raise some £075,081 for Barrow. It will be used to reduce group borrowings which, even after the deconsolidation of British Tanners Products, still amount to £11m.

Yesterday, Mr. Richard Odey, Barrow's chief executive, confirmed that the group expected to remit around £800,000 to the UK, and admitted that he was "quite glad" to be able to raise such an amount without actually having to disengage entirely from a profitable business.

The flotation, he explained, would also allow Barrow to deconsolidate Colyer Watson's borrowings in NZ. These would now be refinanced in that country and could be secured against assets there.

The move was also made because Colyer Watson was extending the number of processes to which hides were subjected. While this would increase the added value, Mr. Odey said, it would mean carrying larger stocks. This in turn would involve heavier working capital requirements.

Finally, Barrow felt that it would be in a better position to participate in government grants for the industry in NZ if it was an NZ-controlled company.

Colyer Watson is the largest hide and sheepskin exporter from New Zealand (having around 55 and 33 per cent respectively of the markets). The New Zealand Government gives substantial tax credits to the industry related to export turnover.

In the year to December, Colyer Watson made pre-tax profits of £536,355. For the coming year Barrow is forecasting not less than £352,113 including tax credits. On a strict comparison this represents a 48 per cent. decline on last year.

Net tangible assets at the end of June were £1.8m.

CARLTON RISES ON RUMOURS

Shares of Carlton Industries and its 76 per cent owned subsidiary Invergordon Distillers rose sharply yesterday on speculation that a bid is in the pipeline for Invergordon.

A spokesman for Carlton—shares up 10p to 238p—said that the group had received no approach regarding a possible takeover offer for Invergordon, whose shares finished 9p higher at 149p

IRISH OIL & CAKE

Pursuant to Irish Oil and Cake Mills offer for British Margarine Company, acceptances have been received in respect of 40,985 shares or 80.3 per cent of the issued share capital together with assurances that acceptances will be received for a further 7,985 shares amounting to a further 15.6 per cent. No shares were held by IOCM prior to the offer, nor were any shares acquired or agreed to be acquired during the offer period by IOCM or its associates (so far as is known to IOCM).

The Bank of England has granted permission for the share transfer.

The ocer has gone unconditional and will remain open for acceptance until 3 pm on August 25.

ASSOCIATE DEALS

Hill Samuel and Co. has bought 35,000 Fluidrive Engineering at 85½p as an associate.

Hurst-Brown on August 11 sold for a discretionary investment client 8,000 shares of Chaddesley Investments at 47p.

Weston-Evans silent over suspension

Silence continues to surround the share suspension of Weston-Evans, the engineering group which is the subject of a bid from Birmingham and Midlands Counties Trust. At yesterday's annual meeting, Mr. Fred Crosland, the retiring chairman, was conspicuously silent as to why the company asked for its shares to be suspended last Friday, and no shareholder raised the point.

Later, Mr. James Redfern, the managing director, could not say when an announcement might be expected though WE's advisers, Barclays Merchant Bank, had said last week that it would be early this week.

The shareholders' meeting, on the other hand, did not lack excitement.

Mrs. Lyndsay Hacket-Pain, who was company secretary when W-E went public in 1957 and resigned from the board in 1964, sought shareholders' support to oppose the election to the board of Mr. Graham Ferguson Lacey and Mr. Cecil McBride, the two men who own Birmingham and Midlands.

Mrs. Hacket-Pain urged shareholders to vote against the men because they had been buying shares in the company without the knowledge of the other directors.

On a show of hands her proposition was carried but was decisively defeated in a poll in which 9m shares were cast in favour of the two men against opposition of 2½m (Birmingham owns 42 per cent of the equity).

Mr. Ferguson Lacey told the meeting that Birmingham's offer document, which had been held up awaiting an announcement about the suspension, would be sent to shareholders this week. Later Mr. Redfern refused to comment on whether this meant that Weston-Evans would definitely be making a statement this week. He said that Mr. Lacey and Mr. McBride did not participate in board meetings concerning this matter.

Before the row over the re-election of the directors, Mr. Crosland, had encouraged shareholders to anticipate the maintenance of the steady progress made by the group during the past few years.

A very large part of the profits came from the U.S., he pointed out, a country where there was still much uncertainty and where costs had lately risen astronomically. While in the U.S. and the UK there were problems, however, he had confidence in the management and workforce.

TRIDANT PRINTERS

The 63p contested cash offer from Starwest Investment Holdings, for Tridant Group Printers is to be extended until August 29 and may run the full time limit until September 22.

Mr. Remo Dipre, Tridant's chairman who owns Starwest, said yesterday that he had received acceptances of only 12,971 ordinary shares and 13,492 preference shares at the close of the first period. This represents under 3 per cent of the equity.

The bid is being opposed by the independent directors and the printing and publishing families which founded the company. Together they hold nearly 60 per cent of the shares and have already said that they consider the bid opportunistic and inadequate particularly as the company is poised for profit recovery after a heavy period of capital investment.

CROSSLEY BLDGS.

The offers by Bowater Corporation for the capital of Crossley Building Products not already owned have been accepted in respect of 5,498,077 ordinary shares, representing 89.84 per cent of the shares for which the offer was made, and 71,135 4.2 per cent (formerly 6 per cent gross) preference shares (83.69 per cent).

The merger is not being referred to the Monopolies and Mergers Commission. Accordingly, the offers have become unconditional in all respects and will remain open.

QUARTERLY REVIEW OF THE NATIONAL INSTITUTE FOR SOCIAL AND ECONOMIC RESEARCH

Recovery heading for a pause

Reports by PETER RIDDELL and DAVID FREUD

A SHORT but rapid recovery in total output is taking place but will come almost to a standstill from winter onwards.

That is the main conclusion of the latest quarterly review from the National Institute of Economic and Social Research, published this morning.

The review gives a warning that unemployment will begin to rise again next year. That prospect "clearly calls for a significant measure of reflation. Up to a point, such moves need not be constrained by the balance of payments, which is forecast to be in surplus next year on the basis of unchanged policies.

"The risks are concerned with interaction of the exchange rate and the rate of inflation. Reflation of domestic demand would erode the surplus (mainly by increasing imports) and, other things being equal, this would drive the exchange rate down and thus push up the domestic price level."

"Under certain circumstances, we would not regard a fall in the exchange rate as unwelcome: the continued deterioration of the non-oil trade balance (from a deficit of about £2½bn in 1978 to nearly £3½bn in 1979) argues for an effective depreciation.

"The key word is 'effective': both in order that the initial competitive advantage should not be eroded by higher pay settlements and because of the inherent importance of containing cost inflation, such an expansionary strategy would make it even more vital to ensure that the pay policy is firmly applied.

"It might well help if a major element in a reflationary package were to take the form of direct tax reductions, so that real post-tax incomes continue to rise (It is also worth noting that although the Government is not yet committed to any financial targets for 1979-80, the forecasts imply that such targets will need to be set fairly generously as they are to allow for the needed fiscal expansion."

The appraisal section of the review also discusses the proposals for EEC currency stabilisation. While the institute is sceptical about the possibility of reconciling the aims of internal and external equilibrium in the long run solely through the medium of flexible exchange rates, it seems that the problems could well be exacerbated by a return to the rigidity or semi-rigidity of a European snake with only a dubious prospect of this having a powerful effect on inflation.

The general shape of the institute's forecasts is very similar to the ones published at the beginning of June, and the projections are essentially an updating of the earlier ones rather than completely new: They are based on the assumption of a 12 per cent rise in average earnings during the next pay round and no further changes in tax rates, apart from indexing of income-tax allowances next spring.

On that basis a brief and mild recovery in real Gross Domestic Product (GDP) occurs, attributable predominantly to a rise in real personal disposable incomes and consumer spending.

Total output is projected to rise by 4.2 per cent in real terms in the year to the fourth quarter, which should mean only a marginal cut in the underlying unemployment rate.

Although the annual rate of inflation, as measured by the consumer price index, is currently some 8¼ per cent, the 15 per cent increase in average earnings during the past year will inevitably increase unit costs more rapidly from now.

The inflation rate is expected to be 10 per cent by the end of this year. In 1979, given the earnings assumption and the expectation that the exchange rate will drift downwards from the autumn onwards, the rate of consumer price inflation is expected to edge upwards to 11 per cent.

Consequently, the rise in real personal disposable income slows down, and, given the prospect of little change in the personal savings ratio (and then only a slight fall from summer 1979), the rate of increase of consumers' expenditure is projected to decline from 5.5 to 0.6 per cent on a fourth-quarter to fourth-quarter comparison.

With continued restrained public spending growth, a slight fall in the rate of recovery of private investment and exports and a continued increase in non-oil imports, the growth in GDP is projected to slow sharply.

Consequently the underlying rate of adult unemployment, which is expected to stay about 1.3m this year, is likely (on unchanged policies) to begin to rise again in 1979 by perhaps 150,000 during the year to about 1.5m (Great Britain, seasonally adjusted).

The institute takes a more cautious view of the prospects for manufacturing investment, revising downwards its earlier projection of a volume rise of nearly 8 per cent in 1978 to just less than 5½ per cent, with expansion of 4 to 4½ per cent next year.

Externally, a significant rise in the volume of imports, associated with the recovery of domestic demand, is forecast for the remainder of this year, and the improvement in the current-account surplus is not expected to continue, with a surplus for the year of about £600m.

The volume of total exports of goods and services is likely to slow from nearly 6 per cent during 1978 to only 2 per cent during 1979. Imports of goods and services should rise in real terms by about 8 per cent during this year and 3 per cent during 1979. The current-account surplus is projected at £1.9bn in 1979.

With the UK's rate of price inflation again higher than the international average, the trade-weighted index is expected to be some 4 to 5 per cent lower than its current level by the end of 1979.

On the assumption that interest rates have peaked, and given the expected petering out of the recovery of private demand, the authorities should meet their targets for the monetary aggregates.

On unchanged policies, the public sector borrowing requirement is projected at slightly more than £8bn in the current financial year and nearly £8¼bn in 1979-80. That is a fall from about 5¾ to about 5 per cent of nominal GDP.

Domestic credit expansion is expected to be just less than £7bn in the current financial year (compared with the target of £6bn) and £6bn in 1979-80. The increases in sterling M3 are projected at about 10½ to 11 per cent in both years.

The review includes projections undertaken on the basis of the alternative assumption of a 9 per cent rise in average earnings during the next pay round rather than 12 per cent. Consequently, consumer price inflation should remain just below 10 per cent through next year, rather than 11 per cent.

There would be little or no effect on the real economy, at least until 1980, but the exchange rate would not fall and the current balance would probably be in surplus by an extra £300m or so, with correspondingly greater latitude for expansion of demand

National Institute Economic Review, number 85, August 1978; price £3.00 (in UK), from National Institute, 2, Dean Trench Street, Smith Square, London SW1P 3HE.

Summary of the forecast (June projections in brackets)

	Real GDP (per cent change, year/year)	Real personal disposable income (per cent change, year/year)	Unemployment (fourth quarter, million)	Money supply (per cent change in sterling M3, fiscal years)	Consumer prices (per cent change, year/year)	Current account balance (year, £bn)	Public sector borrowing requirement (fiscal year, £bn)
1977	1.0 (0.8)	−1.4 (−1.3)	1.4 (1.4)	15.0 (15.0)	14.2 (14.3)	0.2 (—)	5.6 (5.7)
1978	3.0 (2.5)	5.1 (5.4)	1.3 (1.4)	11.0 (12.0)	9.3 (9.4)	0.6 (0.3)	8.1 (8.3)
1979	2.2 (1.8)	1.6 (1.1)	1.5 (1.5)	11.0 (11.0)	11.2 (11.4)	1.9 (1.0)	8.4 (9.0)

Estimates and forecasts of the gross domestic product (£m, 1970 prices, seasonally adjusted)

	GDP: Compromise estimate* Index, 1970=100	At factor cost	Consumers' expenditure	Public authorities' current spending	Gross fixed investment	Exports of goods and services	Total final expenditure	Imports of goods and services	Adjustment to factor cost
Percentage changes									
1977/76	1.0	1.0	−0.8	0.1	−3.8	7.0	1.6	4.6	−0.3
1978/77	3.0	3.1	5.1	1.6	2.1	3.8	4.1	6.0	6.2
1979/78	2.2	2.0	2.3	2.3	2.9	2.9	2.2	3.0	1.7
1977 IV/76 IV	−0.1	−0.1	−0.4	0.8	−3.1	2.4	−0.2	0.2	−1.0
1978 IV/77 IV	4.1	4.2	5.5	1.8	2.4	5.8	5.1	8.1	5.1
1979 IV/78 IV	0.6	0.6	0.6	2.3	2.2	2.0	1.2	3.2	0.8

* The discrepancy between the "compromise" and expenditure estimates has been allocated to stockbuilding.

Public borrowing and money supply (£m)

Financial years

	Public sector borrowing requirement	Sales of public debt to non-bank private sector	Change in currency	External financing of public sector	Bank lending to public sector	Bank lending to private sector	Bank lending overseas	Domestic credit expansion	Foreign currency finance*	Banks' non-deposit liabilities (net)	Change in money stock (sterling M3)
1975/76	10,630	5,635	463	1,157	3,375	− 336	404	5,068	591	862	2,453
1976/77	8,583	7,185	886	179	333	3,325	213	4,936	1,153	776	2,828
1977/78	5,575	6,608	1,165	−4,279	2,081	3,768	1,059	3,794	1,441	468	6,164
Forecast											
1978/79	8,100	6,500	1,000	1,500	− 900	4,500	800	6,900	− 500	900	5,000
1979/80	8,400	7,000	1,200	—	200	4,000	500	5,900	− 500	950	5,450

* Foreign currency bank lending to the public sector, overseas sterling deposits, and banks' foreign currency deposits (net).

Wage policies have restrained pay rises 'only temporarily'

THE REDUCTION in the rate of wage inflation produced by some incomes policies during 1961-75 has been only temporary, according to a study in the latest Institute Review.

Although some incomes policies have reduced the rate of wage inflation while in operation, pay rises immediately after the policies ended were higher than they would otherwise have been. The increases match losses during the operation of the incomes policy.

Since 1975 there is evidence that the target for real net earnings is no longer so clearly established and the speed with which actual earnings reach that target has changed, although the study emphasises that those results are tentative.

The authors, Mr. S. G. B. Henry and Mr. P. A. Ormerod, argue that before 1975 there is considerable empirical support for an equation beginning from the proposition that money wage movements are generated from the desire by employees to adjust real net pay to a target value. They say they have consistently failed to find a significant effect for the level of unemployment in the wage equation.

The study is one of three articles in the review exploring aspects of incomes policy in Britain. Another looks at the impact of pay restraint on differentials and the third reviews the institutional issues involved in rationalising wage bargaining.

Commenting on the Henry-Ormerod article, Mr. M. J. C. Surrey, editor of the review, notes that the evidence that until 1975, incomes policies have not in general produced a permanent lowering of real wages is only part of a complex story.

"Many would argue that the function of a successful incomes policy is not to reduce real wages at all, but to allow the same real rate of increase at lower nominal rates of increase of wages and prices.

"Given the cost-plus nature of most pricing behaviour, it seems clear that an effective period of incomes restraint will initially lower prices below what they would otherwise have been. Even given a full catching up of real wages, this may still imply lower absolute levels of money wages and prices than would otherwise have been the case."

Under the present incomes policy, the behaviour of wages appears to have changed, but it remains unclear whether the unprecedented fall in real wages during this period will ultimately be made up and, if so, how rapidly.

The article by Mr. A. J. H. Dean on differentials notes that incomes policies could provide a squeeze because of the accident of timing of their introduction, because of flat-rate elements in their construction or because of differential application by the Government.

"Although quite strong effects had been expected given the volume of protests, there were only weak effects, if any, for most of the periods concerned

"No doubt there are great problems regarding differentials in such companies as British Leyland, but these problems probably arise because of the particular circumstances of pay bargaining within the company and because of anomalies created by the timing of the introduction of pay policies, anomalies which are then preserved by 12-month/no exception rules."

The main conclusion is that there is little evidence, apart from the highest income groups, that there has been a strong compression of pay brought about directly by incomes policies.

"The period of the £6 policy, which might have been expected to narrow differentials considerably, seems to have had very little effect at the aggregate levels, although at company level it may well have been more important.

"Those results are surprising, given that many of the incomes policies have been deliberately designed to be redistributive.

"The end of incomes policy periods is always said to be a period when differentials are restored but there is also little evidence of this. It may be that one must investigate pay structures at the ground level in order to appreciate the full effect of incomes policies on differentials, but the evidence examined here suggests that those effects are rather weak at an aggregate level."

The final special article, by Mr. Frank Blackaby, deputy director of the institute, argues that the fundamental obstacle is that of making transparent the macroeconomic consequences of decentralised wage bargaining. He notes the general recognition of that need by industrialised countries, and calls for three main changes.

Those are: to build on the social-contract discussion of the past three years, extending them to include representatives of employers; to move towards synchronisation of pay settlements to minimise leapfrogging; and to rationalise the wide relativity, differentials and anomalies.

Mr. Blackaby says the primary need is to establish a central body that would survive political change.

He notes that there is no need for such a body to start from the beginning again in considering the criteria that justify any exceptional treatment. The previous bodies in the field, notably the National Board for Prices and Incomes built up a sizeable and useful body of case law.

World prospects brighter this year, poorer next

THE INSTITUTE has become marginally more optimistic since May about world growth this year, although it has downgraded its expectations for 1979.

The forecast of the total increase in output in the 24 member countries of the Organisation for Economic Co-operation and Development is 3.5 per cent in 1978 and 3.4 per cent in 1979.

The main reason for the change is the expected drop in output in the U.S. in 1979, down from 3.8 per cent this year to 3 per cent.

The institute sees indications that consumer goods buying in the U.S., cars in particular, has been stimulated by expectations of price rises and, in spite of rapid growth in incomes, has been financed by credit on a scale unlikely to be sustained.

In Japan the gross national product (GNP) rose by nearly 2.5 per cent in the first quarter, but the institute says that the subsequent course of industrial production suggests that that spurt will be followed by deceleration.

That makes it unlikely that the Government's target of a 7 per cent rise for the 1978-79 fiscal year will be achieved. However, since manufacturers' stocks have been reduced and improvements in capacity utilisation as well as profits should encourage corporate investment, the institute has shaded its previous forecast upwards.

It now expects GNP to rise 5.5 per cent in 1978 and by the same figure in 1979.

After a rapid rise in industrial production in France in the first four months of the year there was a drop in May and only slow growth is now expected until the autumn.

That has caused the institute to cut its forecast for gross domestic product (GDP) growth this year to 3 per cent, followed by a 4 per cent gain in 1979.

Growth in West Germany is not expected to show much progress before autumn except in building. That implies an increase in GNP of 2.7 per cent this year and 3.5 per cent in 1979.

In the smaller countries in the OECD, growth of real output this year is expected to range between 1 and 2.5 per cent, except in the Irish Republic (5.5 per cent), Norway (4-4.5 per cent) Sweden (0.5 per cent), and New Zealand (where a 0.5 per cent drop is expected).

In 1979 the institute expects some convergence of growth rates of these countries round a mean of about 3.2 per cent.

Consumer price inflation is expected to average about 7.7 per cent in the OECD in 1978 and 1979. The only significant changes from the previous forecast apply to France and the U.S., where rates are expected to be higher than was thought earlier.

The average rate of 10 per cent forecast for France in 1978 and 1979 is due to the removal of price controls.

In the U.S. the forecast increase to an inflation rate of 7 per cent in 1978 and 7.3 per cent in 1979 is partly the result of a very rapid rise in food prices early in the year, although that is not expected to continue at the same pace.

Otherwise the rate of inflation is expected to remain fairly stable in most of the bigger countries over the two-year period. West Germany's rate is forecast at 3-3.5 per cent, Japan's at 4-4.5 per cent, Canada's at 8.5 per cent, and Italy's at 13 per cent.

Output growth moderate

INDUSTRIAL OUTPUT, the institute's review predicts, will grow only moderately this year and next. The study foresees 3 per cent expansion in 1978, mainly in the first half of the year, falling to 2 per cent in 1979.

The strongest growth areas are in oil, with increased production from the North Sea, and in building. Output in shipbuilding and aerospace is expected to drop.

Oil production is expected to grow by half this year to 56m tonnes and in 1979 by half again, to 90m tonnes.

That growth brings mining and quarrying up by 9 per cent this year and a further 5 per cent next year in spite of a flat trend in coal production.

The main area of improvement in construction is expected in the non-housing side, particularly commercial property. A drop in housing totals will be due mainly to cutbacks in the public sector. Building is expected to expand by 4.5 per cent this year and 2 per cent next.

The review states that there was a 23 per cent fall in the number of public housing starts in the first quarter, although private housing starts in the first half of the year were 30 per cent up on the same period last year.

Private housing orders remain high, although lower than in the fourth quarter, while private-sector orders for non-housing construction in the first quarter were "much higher than in any period in the past four years."

Output from the aerospace and other vehicles sectors continued its steady fall in the first five months of the year and the review expects production to fall 3 per cent over 1978 as a whole.

Its forecast for 1979 is another 1 per cent fall. The future, it observes, depends critically on such factors as whether the UK rejoins Airbus Industrie or goes into partnership with one of the big U.S. producers.

Disappointing

No recovery is in prospect for shipbuilding, which is not expected to surpass last year's output in 1978 and might slip back another 1 per cent next year.

Motor vehicles are also likely to disappoint. The review notes that in spite of very rapid growth in sales this year, production has grown slowly and imports have expanded.

Output this year is expected to grow by 2.5 per cent, but with a decline in expenditure in the second six months, production is likely to expand by only another 1 per cent in 1979.

For mechanical engineering the outlook is not good, and forecast growth has been revised down to 2 per cent in 1978 and 1979.

Net new export orders for instrument engineering have declined, although output in the first five months of the year was up 4 per cent over the period in 1977. The fall in orders is likely to hold growth to 3.5 per cent this year and lead to a drop to 2.5 per cent in 1979.

By contrast, orders on hand in electrical engineering were high at the end of the first half, while production has grown fast. That should mean 5 per cent growth this year, slowing to 2 per cent next.

Ferrous steel output has recovered from the disastrous fourth quarter of last year, mainly because of the Davignon plan, although demand prospects remain poor. Growth of 1 per cent is expected this year and 1.5 per cent next.

A mild recession in chemicals seems over, although imports were high in the first half compared with much less rapid growth in exports. Growth of 3 per cent is expected in 1978 and 1979.

ABERCOM INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

Audited Income Statement for the year ended 30th June, 1978

	1978 R'000	1977 R'000
Turnover	99,004	100,656
Income before taxation	4,637	10,668
Taxation	854	2,402
Income after taxation	3,783	8,266
Minority interests	302	356
Net income	3,481	7,910
Dividends receivable from associated companies	172	183
Net earnings before extraordinary items	3,653	8,093
Ordinary shares in issue (000's)	14,046	14,046
Earnings per share	26 cents	58 cents
	15 pence	40 pence
Dividends per share	17 cents	29 cents
	10 pence	19 pence

OPERATIONS. Net earnings for the year are stated before extraordinary items of R2,560,000 which are primarily attributable to losses arising from the discontinuation of the businesses of two subsidiaries in their present forms. In addition, the group's net assets have been reduced by R1,360,000 due to a decision that the equity accounting method is no longer an appropriate basis for the statement of the balance sheet value of the group's investments in associated companies. Investments in associated companies will, therefore, be stated at original cost in the balance sheet at 30th June, 1978, which is, in the opinion of the directors, below the realisable value of these investments. The comparable figures for the year to 30th June, 1977, have been restated to give effect to this change in accounting policy.

Net income of R3,481,000 has been arrived at after taking into account approximately R1,500,000, of which R500,000 results from the pre-closure trading losses of the two discontinued operations referred to above and R1,000,000 from non-recurring provisions against stocks, debtors, development and research costs, and potential future contract losses. The change in the basis of accounting for investments in associated companies has also resulted in net earnings for the year being reduced by R340,000 *(1977—R323,000)*.

The year has been one of restructure and consolidation. Abercom's management structure has been radically strengthened in line with the divisionalisation of its activities. Main areas of focus in industrial and mining fans, design engineering, automotive and general industrial springs, and components, have been identified. Steps have been taken to exploit overseas markets for these activities. Sophisticated budget and control systems have been set up throughout the group, and a more formalised forward planning of the group's activities forms a vital part of the management process.

Results for the year under review reflect generally narrowed margins and reduced work loads. A reversal of these conditions became apparent during the April/June quarter when some increase in available business in South Africa was discernible. The outlook for the year ahead is encouraging. The Fan Division, whose profit for the year under review was reduced from that of the previous year, anticipates sustained earnings. This division had orders in hand at the end of June which were some R3,000,000 in excess of those at June, 1977.

Profits from the Design Engineering and Fabrication Division were much reduced during the past year, mainly due to a low work load at the Consani factories. This position has been corrected, and Consani turned the year with a backlog of work which was about R6,000,000 above that of a year ago. A marked improvement in profitability should be achieved in this division during the year ahead.

The Spring Manufacturing Division also fared badly during 1977/8. This was partly because of reduced demand, but more importantly because of marketing and production problems. Increased selling prices have been achieved against a background of higher demand, market knowledge has been improved, and highly beneficial technical assistance agreements with overseas spring makers are now in operation. These factors, together with the effects of a substantial strengthening of management in the Springs Division, should combine to move this division into profit during the year ahead. Components did well during the past year and, given a continuation of the present economic climate, this division should show increased profits during 1978/9.

In view of the current situation and outlook, the board has decided to pay a total dividend for the year to 30th June, 1978, of 17 cents per share, and a final dividend of 9 cents per share will therefore be paid.

DIVIDEND. Dividend no. 31 has been declared at the rate of 9 cents (5.3 pence) per share, and will be payable to shareholders registered on the Johannesburg and London registers on 8 September, 1978. Dividend cheques will be posted on or about 2 October, 1978, those for shareholders on the London register being drawn at the rate of exchange then in force, non-resident shareholders' tax, where applicable will be deducted.

ANNUAL REPORT. The annual financial statements will be posted to shareholders on or about 22 September, 1978.

Abercom Investments Limited,
7th floor,
20 Anderson Street,
Johannesburg.
15 August, 1978.

By Order of the Board,
D. J. McLoughlin,
Secretary.

CONTRACTS AND TENDERS

HOME-GROWN CEREALS AUTHORITY

Sale of Barley Ex Intervention Stocks

The Home-Grown Cereals Authority on behalf of the Intervention Board for Agricultural Produce has been instructed to sell by Tender barley from the Board's Intervention Stocks.

Sales will be ex-store and details of the stores and other arrangements are embodied in a Notice of Invitation to Tender together with tendering forms which are available from:

Home-Grown Cereals Authority,
Haralyn House, Highgate Hill,
London N19 5PR.
Tel. No. 01-263 3391.

Stocks for sale are approximately as follows:

Store	Stock	
Ely, Cambs.	3,331	Tonnes
Diss, Norfolk	1,550	"
Hadleigh, Suffolk	2,121	"
Hanleybury, Worcestershire	1,668	"
Manby, Louth, Lincs.	7,876	"
Old Dalby, Melton Mowbray, Leicestershire	4,302	"
Polmont, Falkirk, Scotland	129	"

CLOSING DATE FOR TENDERS WILL BE 12 noon, 21st AUGUST, 1978

COMPANY NOTICES

EUROPEAN COAL AND STEEL COMMUNITY

TWENTY YEAR BONDS OF 1964 DUE NOVEMBER 15, 1984

NOTICE OF RATE OF INTEREST ELECTRICITY SUPPLY COMMISSION (South Africa)

GUARANTEED FLOATING RATE NOTES DUE 1982

CITIBANK, N.A. as Fiscal Agent

PUBLIC NOTICES

CITY OF BRISTOL VARIABLE RATE REDEEMABLE STOCK 1982

14th August, 1978

CORPORATION BILLS

LEGAL NOTICES

THE COMPANIES ACT 1948

J. F. HIGGS, Deputy Official Receiver and Provisional Liquidator

PERSONAL

CELLARMASTER seeks drinking companions for tour of wine regions.

CLUBS

EVE, 189 Regent Street. 734 0557.

GARGOYLE, 69 Dean Street, London, W.1. NEW STRIPTEASE FLOORSHOW THE GREAT BRITISH STRIP Show at Midnight and 1 a.m. Mon.-Fri. Closed Saturdays. 01-437 6455

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Pilots end strike at Northwest Airlines

By John Wyles

NEW YORK, August 15.

NORTHWEST Airlines, one of the most successful operators in the U.S., has finally reached an agreement with its pilots to end a 108-day strike.

The stoppage cut back Northwest's passenger and cargo operations by about two-third, although its revenues were considerably fortified by the receipt of more than $105m under a mutual aid pact involving 14 other carriers.

Northwest's conduct of the dispute was masterminded by its hard driving president, Mr. Donald Nyrop, whose clampdown on costs is a byword within the industry and has contributed greatly to the airline's standing as one of the most profitably in the U.S.

Throughout the strike Mr. Nyrop resisted his pilot's demands for a reduction in their maximum working day and for more generous free travel for themselves and their families. The few sketchy details of the settlement available today indicate that no concessions have been made on either of these two fronts.

Described as "a draw" by the Airline Pilots Association negotiators, the new contract is backdated to July 1 last year and is understood to grant increases in wages and benefits of more than $10,000 during the life of the three-year agreement. The average pilot's salary at Northwest is currently $49,000 a year.

The long strike is thought to have inflated the second quarter earnings of Pan American Airways. United Airlines and Delta Airlines who compete with Northwest on a number of routes. This diversion, coupled with a reduction in overall operating expenses, is judged by Mr. Robert Joedicke, an airline analyst with Lehman Brothers, Kuhn Loeb, to have inflated the earnings of U.S. trunk airlines by around $70m in the second quarter.

Earlier this month Northwest reported second quarter earnings of $20.5m on operating revenues of $160.3m, compared with net income of $27.23m on revenues of $251.58m in the second quarter of last year.

During the strike Eastern Airlines announced that it was withdrawing from the mutual aid pact at the end of 1979, arguing that the costs exceeded the benefits. According to Eastern's president, since the agreement started in 1959 his airline had received $26.1m and had paid out $74m.

Payments to a strike-affected airline are based on a proportion of its weekly operating costs. Northwest was entitled to 50 per cent of its $2.8m a day operating costs in the first two weeks of the strike, 45 per cent in the third week, 40 per cent in the fourth and 35 per cent for the balance of the stoppage.

Store groups optimistic after quarterly advances

BY DAVID LASCELLES

NEW YORK, August 15.

TWO OF the largest U.S. chain stores, K Mart and J. C. Penney, today reported steady growth in earnings during the second quarter of 1978, and were generally optimistic about the prospects for the rest of the year despite uncertainty over consumer attitudes.

K Mart achieved sales of $2.77bn, up 18.6 per cent on the same period of last year, while net income totalled $83.9m, or 67 cents a share, up 21 per cent. Gross margins remained unchanged at 26.2 per cent of sales.

Mr. Robert Dewar, the chairman, said sales were slightly above target, despite the move into double digit inflation. The strength of domestic appliance sales was in part due to advance buying, but a number of other areas showed strength too, including men's, infants' and children's wear, and cameras.

Ladies' wear continued to lag, however. The store's Canadian operation continued to suffer from the effects of a depressed economy.

Mr. Dewar commented that "despite the conflicting economic indicators, the favourable trends in personal income and industrial production continue to provide reasons for a positive outlook for the balance of 1978."

J. C. Penney's sales rose by 22 per cent to $2.43bn compared with the same period of last year, and net earnings increased 21 per cent to $41m, equivalent to 60 cents per share against 52 cents per share last year when there were about 1.7m fewer shares outstanding. Gross profit margins improved slightly on last year, but were down on the first quarter of this year due to heavy promotional activity and "normal seasonal factors."

Remarking on prospects, Mr. Donald Seibert, chairman, and Mr. Walter Neppl, president, said that they expected favourable sales gains to continue through the rest of the year, though not at the pace of the first half.

Both stores are pushing ahead with ambitious expansion programmes. J. C. Penney has opened 1.3m square feet of store area so far this year, representing 46 retail units. K Mart opened 17 stores during the second quarter, and expects to open a total of 168 during the whole year.

Meanwhile, Lucky Stores, the California-based store group, announced a boost in second quarter net income of 36 per cent to $20.4m on revenues up by nearly 21 per cent to $1.16bn, Reuter reports. Earnings per share were 44 cents against 31 cents.

Canadian Pacific up at half way

BY ROBERT GIBBENS

MONTREAL, August 15.

STRONG RISES in second quarter and half-year results are reported by Canadian Pacific. Net earnings for the latest three months totalled C$88.12m, equal to C$1.23 a share and 17 per cent up on the corresponding 1977 figure of C$75.22m or C$1.05 a share.

At the half-way stage, earnings were 20 per cent higher at C$152.8m or C$2.12 a share, again C$126.4m or C$1.75.

The performance is even better than indicated since both 1977 periods include an extraordinary gain of C$7.2m on the disposal of an investment in a subsidiary.

The higher earnings were due to better results from most of the CP group subsidiaries including the railway operations. Only CP Ships produced lower results—the net loss in the first half was C$8m against a loss of C$4.6m.

In the June quarter, CP Air earned C$4.4m against C$268,000 and in the first half earnings were C$4m against a loss of C$4.3m.

CP Investments, which is 82 per cent owned by Canadian Pacific and represents most non-transportation interests, had higher earnings in the first half due mainly to a strong performance in its oil and gas subsidiary. Steel, real estate and pulp and paper subsidiaries also turned in a strong performance but metals were lower due to weak zinc prices.

Despite strong gains in the first half from CP Rail, cost pressures may affect the rest of the year.

Setback for Petrofina Canada

BY OUR OWN CORRESPONDENT

MONTREAL, August 15.

PETROFINA CANADA suffered a 34 per cent slump in earnings to C$8.2m, or 83 cents a share, in the first half from C$12.5m, or C$1.25, a year earlier. Revenues edged up to C$286m from C$268m.

The company blamed the profits drop on continued excess refining capacity in eastern Canada and tight margins. Petrochemical sales rose by 37 per cent, however, and prices improved.

Canada Safeway, the largest supermarket group in western Canada, earned C$21.6m in the 24 weeks ended June 17, against C$19m a year earlier. Revenues were C$886m compared with C$1bn.

From Toronto, IAC, the sales finance and leasing group which is transforming itself into a chartered bank in the next ten years, earned C$12.1m, or 86 cents a share, in the first half, against C$15.9m, or C$1.14 a year earlier. Revenues were C$125m against C$119m.

Thomson Newspapers turned in first half earnings of $25.5m, or 51 cents a share against $21m or 42 cents a share a year earlier. Revenues were $147m against $121m.

Dresser Industries earnings on target

BY OUR FINANCIAL STAFF

DRESSER INDUSTRIES, whose $144m oil equipment sale to the Soviet Union has now been given the official go-ahead after doubts in the wake of July's dissident trials in Moscow, expects earnings this year to be within its long-term goal of a 10-15 per cent annual improvement.

This is despite an increase of only just over 7 per cent in the third quarter to $50.2m by the Dallas-based manufacturer of equipment for the oil, gas and chemical industries, whose financial year runs to the end of October.

At the per share level, earnings moved up to $1.28 from $1.20, while revenues showed a gain of 21 per cent to $779m.

Dresser's results for the first nine months were more in line with its stated objectives, however, with earnings advancing by 11.5 per cent to $137.7m. On a per share basis, they emerged at $3.52 compared with $3.17.

Dresser's earnings for the 1976-77 year amounted to $185m, or $4.75 a share, on revenues of $2.54bn.

Eli Lilly to buy Cardiac Pacemakers

INDIANAPOLIS, August 15.

ELI LILLY, the chemicals and cosmetics group, has agreed in principle to buy Cardiac Pacemakers Inc. for $126.5m worth of common stock.

Lilly said the agreement calls for the issue of 0.85 shares of Lilly common stock for each share of Cardiac, or some 2.39m Lilly shares worth about $126.5m at current market prices.

The transaction is subject to a definitive agreement, approval of both companies' boards of directors and Cardiac shareholders, and Securities Exchange Commission approval for the issue of Lilly stock.

Cardiac had sales of $32.2m in 1977 and $22.8m for the first six months of 1978.

U.S. launch by Schweppes

By Our Own Correspondent

NEW YORK, August 15.

SCHWEPPES USA is planning a major attack on the American soft drinks market with a new citrus flavoured beverage called Rondo.

Well established in the U.S. as a manufacturer of mixed drinks, Schweppes has hitherto stayed out of the highly competitive soft drink sector. It is now taking the plunge at a time when the market is showing good growth and manufacturers' profits are on the increase.

The top five soft drink makers scored a 7 to 8 per cent gain in sales last year and they are expected to advance by up to 6 per cent this year.

EUROBONDS

Straight dollar issues ease

By Mary Campbell

FOREIGN exchange market developments seemed to become a more important factor for dollar bond investors yesterday than the continuing fall in dollar interest rates. Prices of straight dollar bonds were off a good quarter of a point on average yesterday in what dealers said was good turnover. This was despite the Assumption Day holiday which closed the markets in Catholic countries.

In the D-Mark sector, activity has fallen from last week's levels, particularly in the domestic market.

Société Générale is expected to announce an eight-year $25m floating rate note for FRAB Bank today. Indicated terms include a margin over inter-bank rates of a quarter of a point with the minimum rate set at 6¼ per cent.

AKZO forecasts return to profit for full year

BY CHARLES BATCHELOR

AMSTERDAM, August 15.

AKZO, the Dutch chemicals and fibres group, achieved the expected improvement in profit in the second quarter of 1978, but a sharply higher tax charge reduced the return at the net level. The group repeated its forecast that results for the full year will show a return to profit for the period as a whole. This modest upturn is expected to continue into 1979, Mr. Knud Overall, administrative director, told a Press conference.

The current quarter of this year is expected to show the usual seasonal downturn, although it is unclear whether this will exceed the accumulated profit of the first two quarters.

The company reported a net profit of Fl 13.3m ($6.3m) in the second quarter compared with a loss of Fl 2.6m in the corresponding 1977 quarter. This meant that first half profit was 52 per cent higher at Fl 15.8m compared with Fl 10.4m. Net earnings rose to Fl 0.45 per Fl 20 nominal share from a loss of Fl 0.09 last time. Profit per share in the first half was Fl 0.53 against Fl 0.35.

Sales in the second quarter were 3 per cent higher at Fl 2.67bn ($1.26bn), while in the first half sales rose 1 per cent to Fl 5.32bn. Volume sales rose 2 per cent, while the company also managed to increase prices by 3 per cent. However, a 4 per cent loss on currency movements, notably the 10 per cent decline of the dollar against the guilder, cancelled out these two factors, and the 1 per cent rise in turnover came from acquisitions, among them the French company RETI.

Akzo's operating profit rose to Fl 101.6m in the second quarter from Fl 76.8m, and to Fl 191.7m in the first half against Fl 161.7m.

No taxes could be set against losses in Holland and the tax charge was Fl 35.1m in the latest quarter against Fl 17.4m in 1977.

Cost-cutting measures further reduced the losses from chemical fibres in Western Europe, although increased competition depressed the performance of industrial yarns. The fibres division made an operating profit of Fl 12m in the second quarter compared with a loss of Fl 14m. And the first half showed a profit of Fl 1m against a Fl 30m loss.

Results in the chemicals division were less satisfactory, however, partly due to increased competition from East European exports—and first half operating profit fell to Fl 64m from Fl 75m.

In the pharmaceuticals and consumer products division, first half profit rose to Fl 127m from Fl 117m.

See Lex

Dutch bank lifts profit by 16% in six months

BY OUR OWN CORRESPONDENT AMSTERDAM, August 15.

NEDERLANDSCHE Middenstandsbank (NMB), Holland's fourthr largest bank, lifted net profit by 16 per cent in the first half of 1978 to Fl 56.4m ($26.7m) from Fl 48.8m. Its balance sheet total rose 14 per cent to Fl 31bn ($14.7bn) from Fl 27.3m at the end of 1977.

Last week ABN and Autro reported rises in profit of about one-fifth. However the growth of NMB's balance sheet falls between those of its two larger rivals which were 9 per cent and 21 per cent for ABN and Autro respectively.

NMB described its first half performance as "satisfactory," and said that provided interest rate margins are maintained profits for the year as a whole should rise by at least the first half rate of 16 per cent: in 1977 the bank increased profits by 26 per cent.

Income rose by 12 per cent to Fl 479m while costs rose by 11 per cent to Fl 328m. NMB paid Fl 45.7m into reserves compared with Fl 41.6m in the first half of last year. The tax charge rose to Fl 43.3m from Fl 37.5m.

Interest margins are at a relatively low level in the first half but have since shown "some improvement." Liable capital rose to Fl 1.1bn from Fl 1.04bn in the six months.

● Bond coupons in Holland continue to irse depsite the success earlier this month of hte state tender offer. ABN, the leading Dutch bank, is to raise Fl 150m by an issue of 10- year bonds with a coupon of 8½ per cent, which is a full half point above the coupon attached to the Government issue.

The recent state tender issue attracted applications for Fl 700m in bonds, or more than half the Fl 1.3bn raised by this year's three previous state offerings.

Sandvik first half rise

BY JOHN WALKER

STOCKHOLM, August 15.

THE SWEDISH special steel concern Sandvik's order intake during the first half of this year amounted to SKr 2.7bn, an increase of 25 per cent over the same period in 1977. Group sales in the first half amounted to SKr 2.5bn compared with SKr 2.1bn.

The order intake is forecast to continue to increase in the second half of this year, and total sales for the whole of 1978 are expected to rise by 18 per cent to SKr 5.3bn, compared with SKr 4.5bn in the corresponding period in 1977.

Pre-tax profit for the group for the first half of this year amounts to SKr 268m ($61m) compared with SKr 236 in the same period last year, but it appears that the second half might not be quite as good as the first. Pre-tax profit for the whole of 1978 is forecast as SKr 470m, compared with SKr 471m in 1977.

Operating costs in the first half of 1978 amounted to SKr 2bn compared with SKr 1.7bn in the corresponding period in the previous year. Forecast operating costs for the whole of 1978 are SKr 4.8m compared with SKr 3.7m for the whole of 1977.

Purcell Graham to deal in London

By Mary Campbell

PURCELL GRAHAM, a broker of corporate bonds and preference shares on the New York and American stock exchanges, is starting to trade Eurobonds next Monday from a branch in London.

In contrast to existing Eurobond dealers the branch will restrict itself to dealing between other brokers in a manner more akin to the business of foreign exchange and money brokers in London than Eurobond dealers.

The company will initially specialise in yankee and Eurodollar bonds plus the World Bank's dollar-denominated issues concentrating on about 50 issues to start with. It will start business with three dealers. The aim is to have direct lines to the fifteen or twenty top Eurobond dealers in London, though only five will be installed by next Monday. In time and if the current venture is successful, it would expand the list of bonds it trades and set up direct lines to dealers on the European continent. It aims to make a turn of about an eighth on each deal. It would not hold bonds for its own account.

As an intermediary, Purcell Graham would give professionals an opportunity to remain anonymous in deals with each other. Any dealer would be able to tell Purcell Graham details of bonds he had to offer or wanted to buy, information which would not be passed on to other professionals.

The inter-broker function consisting of brokers who do not take positions and deal only between other brokers is a regular feature of the U.S. stock market. Other U.S. brokers involved in this busines are considering setting it up in London.

THE NOTTINGHAM MANUFACTURING COMPANY, LIMITED

Interim Report for the six months ended 30th June, 1978

Group results (unaudited) for the six months ended 30th June 1978 are as follows:

	6 months 1978	6 months 1977	Year 1977
Turnover	£62,265,000	£55,079,000	£128,285,000
Profit before Taxation			
Profit on trading	£4,240,000	£3,721,000	£12,460,000
Investment Income	969,000	1,026,000	1,882,000
Profit on disposal of investments	114,000	139,000	1,371,000
	5,323,000	4,886,000	15,713,000
Less: Interest on 6½% Convertible Unsecured Loan Stock 1993/98	345,000	349,000	696,000
	£4,978,000	£4,537,000	£15,017,000
Profit after taxation (see Note)	£3,485,000	£3,171,000	£10,501,000

Note: Taxation has been charged for 1978 at the estimated rate payable for the year. The charge for taxation for the first six months of 1977 has been adjusted to reflect the change in accounting policy for provision of deferred taxation.

Turnover and profit for the first six months of the year are normally, due to seasonal factors, less than those of the second six months.

The Directors have declared an Interim Dividend of 4% (1p per share) against a comparable rate of 3.648% (0.912p per share) as an Interim Dividend for 1977. The Interim Dividend, requiring £519,000, is payable on 1st December 1978 to shareholders on the register on 30th October 1978.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

	Bid	Offer
STRAIGHTS		
Alcan Australia 8¾pc 1989	97½	98½
AMEV 8pc 1987	93½	94½
Australia 8¾pc 1992	93½	94½
Australian M. & S. 9¾pc '92	99½	100½
Barclays Bank 8¾pc 1992	93½	94½
Bowater 9¾pc 1992	98½	99½
Can. N. Railway 8¾pc 1986	93½	94½
Credit National 8¾pc 1986	97	97½
Denmark 8¾pc 1984	98½	99½
ECS 9pc 1993	99½	100
ECS 8¾pc 1997	93½	96
EIB 8¾pc 1992	96½	97½
EMI 9¾pc 1989	93½	99½
Ericsson 8¾pc 1989	97½	98½
Esso 8pc 1986 Nov.	99½	100
Gt. Lakes Paper 8¾pc 1984	98½	99
Hamersley 9¾pc 1992	101	101½
Hydro Quebec 9pc 1992	97½	98
ICI 8¾pc 1987	95½	96½
ISE Canada 9¾pc 1986	103½	104
Macmillan Bloedel 9pc 1992	97½	98
Massey Ferguson 9¾pc '91	97½	98
Michelin 9¾pc 1988	100	100½
Midland Int. Fin. 8¾pc '92	97½	98½
National Coal Bd. 8pc 1987	93½	94½
National Wstmnstr. 9pc '86	101½	102
Natl. Wstmnstr. 9pc '86 'B'	101½	102½
Newfoundland 9pc 1989	100½	101
Nordic Inv. Bank 8¾pc 1988	97½	98½
Norges Kom. Bk. 8¾pc 1992	95½	96½
Norpipe 8¾pc 1989	96½	97½
Norsk Hydro 8¾pc 1992	95½	96
Oslo 9pc 1988	100	100½
Ports Autonomes 9pc 1991	98	98½
Prov. Quebec 9pc 1995	94½	97
Prov. Saskatchwn. 8¾pc '86	97½	98½
Reed International 9pc 1987	93	95
RHM 9pc 1992	96	96½
Selection Trust 8¾pc 1989	91½	92½
Shell Intl. Fin. 8¾pc 1990	96½	96½
Skand. Enskilda 9pc 1991	95½	96½
SKF 8pc 1987	91½	92½
Sweden (K'dom) 8¾pc 1987	95	95½
United Biscuits 9pc 1989	98½	99
Volvo 8pc 1987 March	94	94½
NOTES		
Australia 7¾pc 1984	93¾	94½
Bell Canada 7¾pc 1987	96½	97½
Br. Columbia Hyd 7¾pc '85	94½	95
Can. Pac. 8¼pc 1984	98½	99
Dow Chemical 8pc 1986	97½	98
ECS 7¾pc 1982	94½	95½
ECS 8¼pc 1989	94½	95
EEC 7½pc 1982	93½	94½
EEC 7¾pc 1984	94½	94¾
Enso Gutzeit 8¼pc 1984	96	96½
Gotaverken 7¾pc 1982	93½	96
Kockums 8pc 1983	94½	97½
Michelin 8¾pc 1983	98½	99½
Montreal Urban 8¾pc 1981	99½	100½
New Brunswick 8pc 1984	97½	98
New Bruns. Prov. 8¾pc '83	99½	100
New Zealand 8¼pc 1986	95½	96½
Nordic Inv. Bk. 7¾pc 1984	94	94½
Norsk Hydro 7¾pc 1982	96½	96½
Norway 7¾pc 1982	93½	94½
Ontario Hydro 8pc 1987	93½	94½
Singer 8¾pc 1982	99½	100
S. of Scot. Elec. 8¾pc 1981	98	98½
Sweden (K'dom) 7¾pc 1982	94½	95½
Swedish State Co. 7¾pc '82	95½	96
Telmex 9½pc 1984	99½	100½
Tenneco 7¾pc 1987 May	91½	92½
Volkswagen 7¾pc 1987	93½	94½
STERLING BONDS		
Allied Breweries 10½pc '90	91½	92½
Citicorp 10pc 1993	93½	94½
Courtaulds 9½pc 1989	90½	91½
ECS 9¾pc 1989	95	96
EIB 9¾pc 1988	98½	99½
EIB 9¾pc 1992	94½	95½
Finance for Ind. 9¾pc 1987	93½	94½
Finance for Ind. 10pc 1989	95½	96½
Fisons 10½pc 1987	98½	99½
Gestetner 11pc 1988	93½	94½
INA 10pc 1988	94	95
Rowntree 10¾pc 1988	93	94
Sears 10½pc 1988	94	95½
Total Oil 9¾pc 1984	91½	92½
DM BONDS		
Asian Dev. Bank 5¾pc 1988	93½	94½
BNDE 6¾pc 1988	96½	97½
Canada 4¾pc 1983	97½	98½
Den Norske Ind. Bk. 6pc '90	94½	99½
Deutsche Bank 4¾pc 1983	94½	97½
ECS 5¾pc 1990	92	93
EIB 5¾pc 1990	91½	92½
Elf Aquitaine 5¾pc 1988	93	94
Euratom 5¾pc 1987	96½	97½
Finland 5¾pc 1986	94½	95½
Forsmarks 5¾pc 1990	95	96
Mexico 6pc 1985	95	96
Norcem 5¾pc 1989	98	99
Norway 4¾pc 1983	96	97½
Norway 4¾pc 1983	95½	96½
PK Banken 5¾pc 1988	94½	95½
Prov. Quebec 6pc 1990	96½	97½
Rautaruukki 5¾pc 1988	93	94
Spain 6pc 1988	94½	95½
Trondheim 5¾pc 1988	94½	95½
TVO Power Co. 6pc 1988	96	97
Venezuela 6pc 1988	94½	95½
World Bank 5¾pc 1990	95½	96½
FLOATING RATE NOTES		
Bank of Tokyo 1984 8¼pc	99	99½
BFCE 1984 8¾pc	98½	99½
BNP 1983 8 11/16pc	99½	100½
BQE Worms 1985 9pc	98	98½
CCF 1985 8¾pc	98½	98½
Chase Manhttn. '93 9 5/16pc	98	98½
Creditanstalt 1984 8¾pc	98½	98½
DG Bank 1982 9pc	99½	100½
GZB 1981 9 1/16pc	99½	100½
Intl. Westminster 1984 8pc	98½	98½
Lloyds 1983 9 15/16pc	99½	100½
LTCB 1983 9pc	98½	99½
Midland Int. FS '93 9 7/16	98½	98½
Midland Int. FS '87 8 9/16pc	98½	99½
Nat. Westminstr. '90 9 5/16pc	98½	99½
OKB 1983 9¾pc	99½	100½
SNCF 1985 9 5/16pc	99	99½
Stand. and Chrtd. '84 8¾pc	98½	99½
Source: White Weld Securities.		
CONVERTIBLES		
American Express 4¾pc '87	82½	84
Ashland 5pc 1988	101	102½
Babcock & Wilcox 7pc '92	122	123
Beatrice Foods 4¾pc 1992	98	99½
Beatrice Foods 4½pc 1992	110½	112
Beecham 6½pc 1992	112½	113½
Borden 5pc 1992	98	99½
Broadway Hale 4¾pc 1987	75½	77
Carnation 4pc 1987	76½	78
Chevron 5pc 1988	133	134½
Dart 4¾pc 1987	82	83½
Eastman Kodak 4½pc 1988	87½	89
Economic Labs. 4¾pc 1987	77½	79
Firestone 5pc 1988	78	79½
Ford 5pc 1988	84½	86
General Electric 4¼pc 1987	84	85½
Gillette 4¾pc 1987	77	78½
Gould 5pc 1987	126	127½
Gulf and Western 5pc 1988	88½	90
Harris 5pc 1992	214	216
Honeywell 6pc 1986	87	88½
ICI 6¾pc 1992	85	86
INA 6pc 1997	96	98½
Source: Kidder, Peabody Securities.		

BUILDING SOCIETY INTEREST RATES

GREENWICH
(01-858 8212)
281 Greenwich High Road, Greenwich, SE10 8NL.

*Deposit Rate 6.45%, Share Accounts 6.90%, Sub'pn. Shares 7.95%. Term Shares 2 yrs. 2% above share rate, 3 yrs. 1% above share rate. Interest paid Quarterly on shares/term shares. Monthly Income shares 6.50%.

LONDON GOLDHAWK
(01-995 8321)
13/17 Chiswick High Road, London W4 2NG.

Deposit Rate 6.45, Share Accounts 6.90, Sub'pn. Shares 8.20.

This advertisement complies with the requirements of the Council of The Stock Exchange.

Export Development Corporation
(An agent of Her Majesty in right of Canada)

Société pour l'expansion des exportations
(Mandataire de Sa Majesté du chef du Canada)

U.S. $125,000,000

8·60% Notes Due August 15, 1983

The syndicate managed by the following has agreed to subscribe or procure subscribers for the Notes:

Salomon Brothers **Wood Gundy Incorporated**

The Notes, issued at 8·60 per cent, have been admitted to the Official List by the Council of The Stock Exchange. Interest is payable semi-annually on February 15 and August 15, the first payment being made on February 15, 1979.

Full particulars of the Notes and the Corporation are available in the Extel Statistical Service and may be obtained during usual business hours up to and including August 30, 1978 from the brokers to the issue:—

R. Nivison & Co.
25 Austin Friars
London EC2N 2JB

August 16, 1978

This advertisement appears as a matter of record only.

Empresa Nacional del Petroleo, S.A.
ENPETROL

U.S. $60,000,000
Medium-term Loan

managed by

Bankers Trust International Limited — Chase Manhattan Limited
Compagnie Financière de la Deutsche Bank AG
Manufacturers Hanover Limited

co-managed by

Banco de Vizcaya, S.A. — Barclays Bank International Limited
Citicorp International Group — The Mitsubishi Bank, Limited
The Mitsubishi Trust and Banking Corporation — Toronto Dominion Bank

provided by

Bankers Trust Company — Compagnie Financière de la Deutsche Bank AG
Manufacturers Hanover Trust Company — The Chase Manhattan Bank, N.A.
Banco de Vizcaya, S.A. — Barclays Bank International Limited — Citibank, N.A.
The Mitsubishi Bank, Limited — The Mitsubishi Trust and Banking Corporation
Toronto Dominion Bank

July, 1978

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JAPANESE TRADING HOUSES

Setbacks for Mitsubishi and Marubeni

BY OUR FINANCIAL STAFF

MITSUBISHI CORPORATION, Japan's largest trading house, has reported a fall of 33.1 per cent in consolidated net profit, to Y22.1bn ($121m) for the year to March 31, from Y33.21bn the previous year.

Meanwhile, another major trading house, Marubeni Corporation, has announced that its consolidated net deficit for the year was more than double that of the previous year—at Y16.07bn ($87m), against Y7.92bn.

The fall at Mitsubishi resulted, the company said, from the sharp rise in the yen in the foreign exchange market, the depressed Japanese economy, and an increase in reserves to allow for such uncollectable trade accounts as might arise from business failures of some customers.

Mitsubishi hopes to maintain profit and sales figures in the current year at last year's levels, but offers no firm forecast, in view of uncertainties over the world economic outlook, and the continuing rise in the yen against the dollar.

The fall in Mitsubishi's consolidated net profits—which follows a substantial rise in 1976-77—is appreciably greater than that in those of the parent company. It was reported in May that parent company profits were down by nearly 11 per cent to Y16.04bn, on sales some 3 per cent lower, to Y9.3 trillion (million million).

The comparison between parent and consolidated results is even more striking at Marubeni—which in May reported that parent company profits had fallen to Y3.89bn, from Y8.15bn. Marubeni, which grew out of a textile house, has interests in metals, machinery and construction, petroleum and chemicals, and foodstuffs as well as textiles. It has for some time been faced with the problem of restoring profits of its subsidiaries.

Mitsubishi's consolidated turnover last year fell by 2.3 per cent to Y9.76 trillion ($53bn), from Y9.99 trillion. Its consolidated gross trading profit was reduced by 6.2 per cent to Y237.16bn, from Y252.89bn.

Mitsubishi's exports increased 8.3 per cent to Y1.84 trillion, and accounted for 18.9 per cent of total turnover, against 17 per cent of the year before. Imports fell by 8.4 per cent to Y2.6 trillion, accounting for 26.6 per cent of the company's business, against 28.4 per cent.

Transactions outside Japan by Mitsubishi or its subsidiaries, were up by 7.4 per cent—and accounted for 10 per cent of the volume, compared with 9.1 per cent.

Domestic volume totalled Y4.34 trillion, down 4.4 per cent, and amounted to 44.5 per cent (45.5 per cent) of the business.

In exports, the biggest increase was in machinery, with shipments, mainly to developing countries, rising by 14.8 per cent to Y1.72 trillion. Textiles represented the biggest decline—of 15.1 per cent to Y472bn. Mitsubishi's volume leaders, ferrous metals and related products, declined 12.7 per cent to Y2.1 trillion.

Net income last year amounted to Y24.42 per share, down from Y37.47. Non-diluted per share income was Y23.42, against Y35.13. The cash dividend applicable to last year was Y7, up from Y6.60, in spite of the fall in earnings. There is, however, no special share distribution. The previous year there was a scrip issue on a one-for-20 basis.

● Robert Wood writes from Tokyo: Toyobo Company, one of Japan's leading spinners, will acquire 100 per cent ownership of Bruck Mills Corporation of Canada, a textile company that had been owned jointly by Toyobo and Marubeni.

Toyobo and Marubeni acquired the company in August 1973. It has not paid any dividends since.

A Toyobo official said that his company had no plans to use Bruck Mills as an export channel for its products, but would try to reconstruct its management to produce a profit for the parent. Officials of both companies declined to disclose terms of the transaction, but a Marubeni official said: "I do not think we could get any profit from it."

Bruck Mills was described as Canada's fourth largest polyester textile maker. It had been 52 per cent owned by toyobo, 47.3 per cent by Marubeni, and 0.7 per cent by local interests. The transaction will be completed at a special stockholders' meeting in Montreal on Thursday.

Pioneer Electronic improves

TOKYO, August 15.

PIONEER ELECTRONIC Corporation, Japan's leading manufacturer of auido equipment, raised its consolidated net profits by 8.7 per cent in the third quarter of its financial year, reversing the downtrend in the first half. Sales, however, fell by 1.9 per cent.

For the three months to June 30, net profits totalled Y3.64bn ($19.8m), against Y3.34bn in the same period of the previous year. The improvement was insufficient to offset the fall in the first half, however, and for the firs nine months, net profits were 6.2 per cent lower than a year earlier, a Y10.01bn.

Pioneer attributed the improvement in third quarter profits to price increases in overseas markets, reduced production costs and lower materials and component prices.

Sales in the third quarter amounted to Y48.91bn ($266m), compared with Y48.94bn in the same period the previous year. For the nine months, there was a rise of 0.7 per cent, to Y153.6bn, from Y152.5bn.

Agencies

Sharp earnings fall at Abercom

BY OUR FINANCIAL STAFF

ABERCOM Investments, the South African engineering group, has reported a fall of 54.8 per cent in net earnings before extraordinary items for the year to June 30, to R3.65m ($4.2m), from R8.09m the previous year. The dividend is cut to 17 cents, from 29 cents.

The years results, Abercom says, reflect narrowed margins and reduced work loads, but a reversal of these conditions identified by the company in the April-June quarter and the outlook for the current year is seen as "encouraging."

Profits at the fan division which were down last year, are expected to be sustained. Design, engineering and fabrication also produced lower earnings last year, but Abercom is looking for a marked improvement in 1978-79. The spring manufacturing division is expected to move into profit.

The components division is said to have done well, and—given a continuation of the current economic climate — is expected to show increased profits.

The year, Abercom says, has been one of restructuring and consolidation, with the management structure having been "radically" strengthened along divisional lines, and focal areas such as industrial and mining fans, design engineering, automotive and general industrial springs, and components having been identified, and steps taken to exploit overseas markets.

The net earnings, the company says, are before extraordinary items of R2.56m primarily attributable to losses arising from the discontinuing of the businesses of two subsidiaries in their present forms. In addition, the group's net assets have been reduced by R1.36m as a result of the decision that equity accounting is no longer appropriate for the valuation in the balance sheet of investments in associated companies.

Investments in associated companies will, therefore, appear in the June 30 balance sheet at cost, which in the opinion of the directors is below realisable value.

Turnover was slightly lower, at R99m ($113.8m), against R100.7m the previous year, while income before taxation fell to R4.64m, from R10.67m.

Net income of R3.48m (R7.91m) was arrived at after taking into account approximately R1.5m, of which R0.5m resulted from pre-closure losses at the two discontinued operations, R1m from non-recurring provisions against stocks, debtors, dtvelopment and research costs, and potential future contract losses. The change in the basis of accounting investments in associated companies reduced net earnings by R340,000 (R323,000).

Modest rise by Unisec

BY RICHARD ROLFE

JOHANNESBURG, August 15.

UNISEC GROUP, the second largest investment trust in South Africa, after First Union and General, has reported a modest rise in first half profits to June 30. At the pre-tax level, the advance is from R3.3m to R3.4m (U.S.$3.91m) and at the net attributable level the improvement is from 6.4c to 6.7c. The latter figure excludes attributable retained earnings of the property-owning subsidiary, Unidex, which would have added another 0.5c to the earnings per share total.

The interim dividend has been held at 4c, but the directors forecast that slightly higher earnings will be achieved than in 1977 and a total dividend up from 10.5c to 10.75c is expected. The shares at 120c therefore yield 9 per cent, slightly above the market average. Asset value has risen from 164c a year ago to 179c, putting the shares on a discount of 49 per cent. Market value of listed securities is R23.2m compared with a figure of R28m at December 31, an improvement considerably less than the standard market indices.

The Boards of Rembrandt Group and of its 58 per cent subsidiary Oude Meester, whose minority shareholders Rembrandt is attempting to buy out at 60c per share, have released a statement indicating that they consider the terms proposed to be fair and reasonable. They also say they intend to accept in respect of their own shareholding, writes Richard Rolfe from Johannesburg.

It is added that although the terms have been accepted as fair and reasonable by Central Merchant Bank (Senbank), in view of criticism in the financial Press, Barclays National Merchant Bank has been retained to give advice to the outside shareholders. Shares in Oude Meester, which is the only significant liquor investment in Johannesburg other than SA Breweries, remain suspended.

DUFAY BITUMASTIC LTD.

Group Interim Statement
for the six months ended on 30th June 1978

The unaudited results for the six months ended on 30th June 1978 were as under. Taxation provisions have been estimated. Unaudited figures for the six months ended 30th June 1977 and audited figures for the 12 months ended 31st December 1977 are set out for comparative purposes.

	Unaudited Six months to 30.6.78	Unaudited Six months to 30.6.77	Audited 12 months to 31.12.77
	£'000	£'000	£'000
External sales	4,938	4,891	9,515
Profit before taxation	375	308	601
Taxation	195	161	306
Profit after taxation	180	147	295
Dividends	67	65	156
Profit retained	113	82	139
Earnings per share	1.62p	1.32p	2.66p

The increase in profitability of some 21%, as compared with the corresponding period of last year, is due entirely to the policy adopted by your Company in pursuing other outlets for more technically sophisticated types of surface coatings.

There has been no uplift in the demand for pipeline enamels but indications of a return to activity in this field are encouraging. With the reported modifications to the Hebburn plant, now fully completed, your Company is well-placed to take full advantage of an increase in demand for its products when it occurs.

It is anticipated that the results for the second half of the current year will prove to be satisfactory.

Following the reduction in the basic rate of income tax from 34% to 33% and in keeping with the Chairman's Statement which formed part of the 1977 Report and Accounts, your Directors have declared a further dividend in respect of the year ended 31st December 1977 of 0.012494p per Ordinary share.

Your Directors have also declared an interim dividend of 0.587506p (0.583333p—1977) per Ordinary share on the capital as increased by the 1 for 5 scrip issue of 15th May 1978. Payment of these dividends totalling 0.6p will be made on 16th October 1978 to shareholders on the register on 11th September 1978.

C. ATTWOOD
Chairman

US $20,000,000
Floating Rate London-Dollar Negotiable Certificates of Deposit, due August, 1980

Banque Nationale de Paris Limited

BNP

In accordance with the provisions of the Certificates, notice is hereby given that for the six months interest period from August 16th, 1978 to February 16th, 1979, the Certificates will carry an Interest Rate of 9⅛% per annum. The relevant interest payment date will be February 16th, 1979.

Credit Suisse White Weld Limited
Agent Bank

MEDIUM-TERM CREDITS

IIB squeezes loan terms

BY FRANCIS GHILES

EAST EUROPEAN entities are joining the queue of borrowers who are making a determined effort to get finer terms on the loans they raise. The loan for the International Investment Bank (IIB) increased from an initial $450m to $500m, is now in the market. Terms include a maturity of 10 years with a five year grace period and a spread of ⅝ per cent for the first two and a half years rising to ¾ per cent for the remainder.

The commitment fee is ½ per cent for the first three months rising to ½ per cent for the remainder and the management fee is understood to be lower than that paid by IIB on its last loan. Participation fees, also lower this time round, are: for amounts of $25m plus, ½ per cent plus status of co-manager; for amounts of $15-$24m, ½ per cent; for amounts of $10-$14m, ⅜ per cent; for amounts of $6-$9m, ¾ per cent; and for amounts of $2-$5m, ⅛ per cent.

The loan agreement, which is under German law, includes a prepayment penalty clause which prevents prepayments for at least one year after each drawdown. For prepayments made in the course of the second year the borrower will pay a commission of ½ per cent, for those made in the course of the third year one of ⅜ per cent, for those made in the course of the fourth year one of ¼ per cent, and for those made thereafter one of ⅛ per cent.

Dresdner Bank is lead manager and the management group is essentially made up of German and Japanese banks.

The absence of leading U.S. banks from the management group is a notable feature of this loan: these banks say they are unwilling to len dto Comecon borrowers on such low spreads and strongly object to a further shrinking of fees. The last loan for IIB, $500m for six and a-half years on a split spread of 1⅛-1¼ per cent, was raised last summer through a group of banks led by Chase Manhattan.

Their concern is all the greater as the Soviet Foreign Trade Bank intends to prepay at least one of the two $125m tranches of a loan it raised three years ago. Bankers expect this will be followed by a refinancing. More than $6bn worth of loans to the USSR fall due this year.

The U.S. banks argue that in view of the large borrowing needs of IIB there is little point in lending on very fine terms since there is a particularly strong chance that they will be able to lend on better terms later.

Banking sources say that Barclays Bank is arranging a loan of $300m, which could be raised to $400m, for Romania on a "club deal" basis. Terms are understood to include a maturity of eight years with four years grace and a spread of ⅞ per cent for the first three years rising to 1 per cent.

The lead manager is inviting banks into the management group on the basis of a ½ per cent management fee for commitments of at least $20m. The overall management fee is ¾ per cent. A number of U.S. banks have turned down participation in this loan because they believe terms are too fine and the amount of the loan rather ambitious for Romania.

Barclays yesterday refused to comment on these reports.

Mexico's Financiera Nacional Azucarera is raising $150m for seven years with four years' grace and a spread of 1 per cent throughout. Citicorp is arranging the deal on a private basis.

Just signed is the $600m (increased from an initial $500m) five-year loan for Mexico carrying a spread of 1 per cent throughout. Five banks arranged this loan: Bankers Trust International, Libra Bank, Lloyds Bank International, London and Continental Bankers, and Royal Bank of Canada.

Direction Nacionale de Vialedad, of Argentina, is raising $70m for ten years with five years' grace and a spread of ⅞ per cent throughout through a group of banks led by Bank of Tokyo and European Banking Company. The borrower has provided a state guarantee.

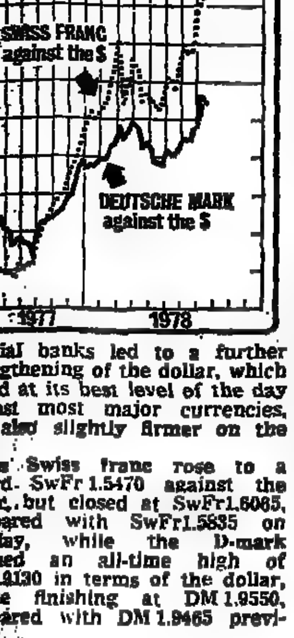
Cuba has been raising money in the form of small loans in recent months, but has been carefully avoiding publicity.

Canadian banks, traditionally active lenders to Cuba, have continued in this role recently. One such loan, for DM 35m for five years with two and a-half years' grace was arranged by Royal Bank of Canada in June.

Dollar recovers from new lows

The U.S. dollar staged a marked recovery in the foreign exchange market yesterday afternoon. This was probably partly the result of intervention by European central banks, but was also due to nervousness about the possibility of further foreign exchange controls being introduced by Switzerland.

During the morning the dollar was very weak, tended to improve on covering of positions ahead of a Cabinet meeting of the Swiss Government today. A later report of a meeting between the Swiss National Bank and the major commercial banks led to a further strengthening of the dollar, which closed at its best level of the day against most major currencies, and also slightly firmer on the day.



The Swiss franc rose to a record SwFr 1.5470 against the dollar, but closed at SwFr1.6065, compared with SwFr1.5835 on Monday, while the D-mark touched an all-time high of DM 1.9130 in terms of the dollar, before finishing at DM 1.9550, compared with DM 1.9465 previously.

The Japanese yen was at a record Y181.80 against the U.S. currency in early trading, but closed at Y184.77½, compared with Y183.70 previously.

Central banks in Switzerland, Germany, and the Bank of England gave some support to the dollar, and its trade-weighted depreciation on Morgan Guaranty figures, improved slightly to 10.7 per cent, from a record low of 10.8 per cent on Monday.

The pound rose to $2.0025-2.0035 in early trading, when the dollar was at its weakest, but then eased to $1.9975 with official intervention, before falling to a low point of $1.9720-1.9740 in the afternoon, in line with other currencies. Sterling finished at $1.9730-1.9750, a fall of 70 points on the day. Its trade-weighted index, as calculated by the Bank of England, was unchanged at 62.7, after standing at 62.8 at noon and 62.9 in early trading.

FRANKFURT—Fears of possible new foreign exchange controls by Switzerland ahead of today's cabinet meeting, was probably behind the recovery of the dollar in early afternoon trading. The market was reported to be covering positions before the Swiss cabinet meeting, even though the president of the Swiss National Bank played down the possibility of further controls. The dollar was fixed at a record low of DM 1.9290 against the D-mark, compared with DM 1.9532 on Monday, and the Bundesbank did not intervene. But by mid afternoon the U.S. currency had improved to DM 1.9420, although trading remained nervous in the absence of any determined support for the dollar by the U.S. The market continues to expect some move by the U.S. authorities, but has so far been disappointed.

ZURICH—Early trading was described as hysterical as the dollar fell to a record low of SwFr 1.5470, after opening at SwFr 1.5655, and compared with SwFr 1.5855 overnight. Conditions began to calm down before midday however, prompted by intervention by the Swiss authorities on a larger scale than has been seen recently. The dollar's particial recovery may also have reflected covering of positions in the present uncertain climate, with the Swiss cabinet due to meet today to discuss foreign exchange problems. By mid-morning the U.S. currency had improved to SwFr 1.5525.

TOKYO—The Bank of Japan appeared reluctant to intervene on too large a scale to support the dollar, even though the currency fell to an all time low of Y181.80 against the yen, before finishing at a record closing low of Y182.85, compared with Y184.82½ on Monday.

Oil producing countries were thought to be putting selling pressure on the dollar, as well as the large U.S. banks, but the apparent lack of concern over the weakness of the dollar in the U.S. may have made the Japanese authorities unwilling to act on a large scale to attempt to stabilise the market.

Trading volume was moderately heavy at $573m in spot turnover, and $698m in combined forward and swap.

THE POUND SPOT

Aug. 15	Bank rate %	Day's Spread	Close
U.S. $	7¼	1.9720-2.0035	1.9730-1.9750
Canadian $	9	2.2480-2.2850	2.2465-2.2505
Guilder	4½	4.15-4.20½	4.18-4.19
Belgian F.	6	60.20-60.90	60.55-60.65
Danish K	8	10.62-10.75	10.64-10.66
D-Mark	3	3.82-3.87½	3.86½-3.86½
Port. Esc.	18	87.10-88.60	87.20-87.70
Span. Pes.	8	147.10-148.20	147.20-147.40
Lira	11½	1,612-1,624	1,614-1,616
Nrwgn. K.	7	10.12-10.21	10.12½-10.14½
French Fr.	9½	8.34-8.40½	8.34½-8.36½
Swedish Kr.	6½	8.60-8.67	8.60-8.62
Yen	3½	361-368	364-366
Austria Sch	4½	27.60-27.85	27.65-27.75
Swiss Fr.	1	3.08-3.19	3.15½-3.16½

Belgian rate is for convertible francs. Financial franc 61.55-61.65.

FORWARD AGAINST £

	One month	% p.a.	Three months	% p.a.
U.S. $	0.50-0.40c.pm	3.22	1.42-1.32c.pm	2.78
Canadian $	0.60-0.50c.pm	2.95	1.35-1.25c.pm	2.31
Guilder	2⅝-1⅝ c.pm	6.81	5¾-4¾ c.pm	5.02
Belgian F.	20-10 c.pm	2.97	45-35 c.pm	2.45
Danish K	½-2½ ore dis	−1.69	4½-6½ ore dis	−1.07
D-Mark	3½-2½ pf pm	8.18	8-7 pf pm	7.77
Port. Esc.	70-370 c.dis	−16.47	180-500 c.dis	−15.55
Span. Pes.	50c pm-50 c.dis	par	70c pm-30c dis	0.54
Lira	3½ lire dis	−2.97	10-13 lire dis	−2.85
Nrwgn. K.	½-1½ ore dis	0.59	par—ore dis	0.39
French Fr.	2½-1½ c.pm	2.52	4½-3½ c.pm	1.54
Swedish Kr.	2 ore pm-par	1.55	4½-2½ ore pm	1.51
Yen	3.45-3.05 y pm	10.68	8.85-8.40y pm	9.45
Austria Sch	18-10 gro pm	6.50	40-30 gro pm	5.05
Swiss Fr.	3⅛-2⅝ c.pm	10.87	8½-7½ c.pm	10.39

Six-month forward dollar 2.60-2.50c pm. 12-month 4.65-4.55.

THE DOLLAR SPOT

August 15	Day's spread	Close
Canad'n $*	0.8760-0.8771	0.8760-0.8763
Guilder	2.0810-2.1085	2.1060-2.1085
Belgian Fr	30.21-30.56	30.52-30.56
Danish Kr	5.3225-5.3900	5.3875-5.3900
D-Mark	1.9170-1.9470	1.9450-1.9470
Port. Es	—	44.25-44.50
Lira	808.50-820.00	817.00-820.30
Nrwgn. Kr	5.0810-5.1310	5.1290-5.1310
French Fr	4.1750-4.2300	4.2280-4.2300
Swedish Kr	4.3265-4.3515	4.3495-4.3515
Yen	182.10-184.40	184.10-184.40
Austria Sch	—	13.92-13.93½
Swiss Fr	1.5510-1.5930	1.5900-1.5930

* U.S. cents per Canadian $.

FORWARD AGAINST $

	One month	% p.a.	Three months	% p.a.
Canad'n $	0.07-0.05c dis	−0.75	0.12-0.09c dis	−0.46
Guilder	0.58-0.50c pm	2.91	1.38-1.26c pm	2.44
Belgian Fr	0.02c dis-0.04c pm	0.33	0.07-0.02c pm	0.52
D-Mark	0.92-0.87pf pm	5.24	2.65-2.50pf pm	5.35
Port. Es	—		—	
Lira	3.80-4.20lire dis	−5.28	11-11.75lire dis	−5.20
French Fr	Par-0.10c dis	−0.30	0.47-0.52c dis	−0.44
Yen	1.20-1.05y pm	7.36	3.18-3.03y pm	6.82
Swiss Fr	1.14-1.09c pm	3.84	2.12-2.07c pm	7.93

CURRENCY RATES

August 15	Special Drawing Rights	European Unit of Account
Sterling	0.647296	—
U.S. dollar	1.29438	—
Canadian dollar	1.47460	—
Austrian schilling	—	—
Belgian franc	—	—
Danish krone	6.90415	—
Deutsche Mark	—	—
Guilder	2.70500	—
French franc	—	—
Lira	—	—
Yen	236.727	—
Norwegian krone	6.59475	—
Peseta	—	—
Swedish krona	—	—
Swiss franc	2.02429	—

CURRENCY MOVEMENTS

August 15	Bank of England Index	Morgan Guaranty changes %
Sterling	62.68	−40.8
U.S. dollar	82.56	−18.7
Canadian dollar	82.16	−14.9
Austrian schilling	142.26	+19.9
Belgian franc	111.20	+12.5
Danish krone	113.54	+4.2
Deutsche Mark	142.65	+36.1
Swiss franc	203.76	+93.2
Guilder	120.01	+16.8
French franc	101.31	−2.9
Lira	55.89	−47.1
Yen	157.41	+55.6

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Aug. 15	£	$		£ Note Rates
Argentina Peso	1,606-1,610	813.58-815.60	Austria	27.50-28.50
Australia Dollar	1.7040-1.7090	0.8554-0.8565	Belgium	61½-62½
Finland Markka	7.94½-7.96½	4.0248-4.0349	Denmark	10.60-10.75
Brazil Cruzeiro	36.53-37.53	18.505-18.912	France	8.35-8.45
Greece Drachma	70.301-72.025	35.613-36.487	Germany	3.80-3.90
Hong Kong Dollar	9.46-9.49	4.7700-4.7750	Italy	1580-1610
Iran Rial	137-143	69.402-72.442	Japan	362-372
Kuwait Dinar (KD)	0.534-0.544	0.2705-0.2756	Netherland	4.13-4.23
Luxembourg Franc	60.55-60.65	30.69-30.72	Norway	10.13-10.25
Malaysia Dollar	4.47½-4.49½	2.2560-2.2570	Portugal	82-89
New Zealand Dollar	1.8550-1.8610	0.9302-0.9328	Spain	144½-148
Saudi Arabia Riyal	6.63-6.73	3.36-3.41	Switzerland	3.10-3.20
Singapore Dollar	4.38-4.40	2.2115-2.2125	United States	1.9600-1.9925
South African Rand	1.7174-1.7435	0.8700-0.8852	Yugoslavia	37.00-40.00

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

Aug. 15	Pound Sterling	U.S. Dollar	Deutschemark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.974	3.860	365.0	8.555	3.175	4.185	1615.	2.250	60.60
U.S. Dollar	0.507	1.	1.956	184.9	4.235	1.608	2.120	818.1	1.140	30.70
Deutschemark	0.259	0.511	1.	94.56	2.165	0.822	1.084	418.4	0.583	15.70
Japanese Yen 1,000	2.740	5.408	10.58	1000.	22.89	8.699	11.47	4425.	6.163	166.0
French Franc 10	1.197	2.363	4.620	436.9	10.	3.800	5.009	1933.	2.692	72.53
Swiss Franc	0.315	0.622	1.216	115.0	2.631	1.	1.318	508.7	0.709	19.09
Dutch Guilder	0.239	0.472	0.922	87.22	1.996	0.759	1.	385.9	0.538	14.48
Italian Lira 1,000	0.619	1.222	2.390	226.0	5.175	1.966	2.591	1000.	1.393	37.52
Canadian Dollar	0.445	0.878	1.716	162.3	3.714	1.421	1.860	717.8	1.	26.94
Belgian Franc 100	1.650	3.257	6.370	602.3	13.79	5.239	6.906	2665.	3.712	100.

EURO-CURRENCY INTEREST RATES*

Aug. 15	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	13-15	8-9	7¾-8	4¼-4¾	−1⅛-⅛	2½-2⅝	7½-7⅝	9-12	—	—
7 day's notice	12½-13½	8-9	7⅞-8⅛	4⅛-4⅜	−1⅛-⅛	2½-2⅝	7⅝-7⅞	12½-13½	7⅞-8⅛	[illegible]
Month	11½-12⅛	8⅛-8⅝	7⅞-8⅛	[illegible]	[illegible]	2⅞-3	7½-8	13-14	8-8⅛	½-1⅛
Three months	11⅝-11⅞	8⅝-9⅛	8⅛-8⅜	5⅛-5⅜	[illegible]	3⅛-3¼	8¾-9	13½-14½	8⅛-8⅜	1⅛-1½
Six months	11⅝-11⅞	8⅞-9⅜	8⅜-8¾	6⅛-6⅜	⅞-1	3½-3⅝	9⅛-9⅝	14-15	8¼-8⅜	2⅛-2½
One year	11⅝-11⅞	9⅛-9⅝	8⅝-9	6⅝-6⅞	¾-1⅛	3⅞-4	10-10¼	14½-15½	8¾-8⅞	1⅞-2⅛

The following nominal rates were quoted for London dollar certificates of deposit: One month 8.00-8.10 per cent; three months 8.20-8.30 per cent; six months 8.50-8.60 per cent; one year 8.65-8.75 per cent.

Long-term Eurodollar deposits: two years 8[illegible] per cent; three years 8[illegible] per cent; four years 8[illegible] per cent; five years 8[illegible] per cent nominal closing rates.

*Short-term rates are call for Sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

U.S. credit policy meeting

The Federal open market committee of the U.S. Federal Reserve met yesterday as the dollar touched further record lows in the foreign exchange market. The committee, which decides U.S. monetary policy, was not generally expected to make any swift move to further tighten credit conditions however. Slower growth in the money supply, and a slight weakening of the domestic economy may prompt a wait and see attitude, although a rise in the discount rate (the rate which the Fed charges on loans to commercial banks) cannot be ruled out in the near future if the dollar remains under heavy pressure. The discount rate is at present 7¼ per cent, compared with a Fed funds rate of about 7⅞ per cent. This is the rate that banks lent uncommitted reserves to each other.

The majority of the committee, particularly Mr. William Milner, the Fed chairman, are expected to take the line that nothing should be done at present that may harm the economy, particularly since inflationary fears have tended to abate recently.

Committee meetings in recent months have generally led to a tightening of policy, with the target rate on Fed funds rising from 6¾ per cent to 7¾ per cent in four months. If a holding policy should now be adopted, this will be the first time that there has been no change since the March meeting.

FRANKFURT—Interbank money market rates were easier, with call money at 3 per cent, compared with 3.05 per cent previously. One-month funds declined to 3.45 per cent from 3.5 per cent; three-month to 3.65 per cent from 3.7 per cent; and six-month to 4 per cent from 4.15 per cent.

AMSTERDAM—Call money rose to 4.75-5 per cent from 3-4 per cent, and period rates were also firmer, with one-month rising to 6-6.25 per cent from 5.75-6 per cent; three-month to 6.625-6.875 per cent from 6.25-6.5 per cent; and six-month to 7.125-7.25 per cent from 6.75-7 per cent.

HONG KONG—Money market conditions were easy, with call money falling to 4⅜ per cent from 4½ per cent, and overnight funds unchanged at 2½ per cent.

GOLD

Late fall

Gold opened at an all time high of $216-216½, and was fixed at $215.90 (£108.031) in the morning. The recovery of the dollar pushed the metal down to $213.20 (£107.270) at the afternoon fixing, before it closed at $213-213½, the lowest point of the day, and a fall of $1¼ from the previous close.

After the London market had officially closed gold continued to fall, easing to $211½-212 shortly after the finish. Trading was hectic in the afternoon, as the dollar improved, and ahead of the monthly gold auction by the U.S. Treasury.

In Frankfurt the 12½ kilo gold bar was fixed at DM13,385 per kilo ($216.10 per ounce), compared with DM13,400 ($213.17).

	Aug. 15	Aug. 14
Gold Bullion (a fine ounce)		
Close	$213-213½	$214½-215
Opening	$216-216½	$211-212½
Morning fixing	$215.90 (£108.031)	$212.25 (£107.457)
Afternoon fixing	$213.20 (£107.270)	$213.50 (£107.892)
Gold Coin domestically		
Krugerrand	$219½-221½ (£110½-111½)	$219½-221½ (£111-112)
New Sovereign	$58½-60½ (£30-31)	$59½-61½ (£30-31)
Old Sovereign	$60-62 (£30½-31½)	$60-62 (£30½-31½)
Gold Coin internationally		
Krugerrand	$219½-221½ (£110½-111½)	$219½-221½ (£111-112)
New Sovereign	$58½-60½ (£29½-30½)	$59-61 (£29½-30½)
Old Sovereign	$60-62 (£30½-31½)	$60-62 (£30½-31½)
$20 Eagles	$310-312	$310-312
$10 Eagles	$165-170	$162-166
$5 Eagles	$110-115	$112-116

UK MONEY MARKET

Small assistance

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

Day-to-day credit was in slightly short supply in the London money market yesterday, in line with early expectations, and the authorities gave a small amount of assistance by buying Treasury bills from the discount houses.

Banks brought forward surplus balances from Monday, but this was outweighed by repayment of the moderate amount lent overnight to the houses, a slight increase in the note circulation, and a modest surplus of revenue payments to the Exchequer over Government disbursements.

Discount houses paid up to 8¾ per cent for secured call loans, and closing balances were taken at 6½-8½ per cent.

In the interbank market overnight loans opened at 8¾-9 per cent, and eased to 8½-8¾ per cent, before returning to 8¾-9 per cent on expectations of a slight shortage of overall credit. Rates eased again to 8½-8¾ per cent, before rising to 9-9½ per cent in the afternoon, and closing at 7-8 per cent.

Short-term fixed period interest rates were generally easier at the close than the steady opening levels. The three-month interbank rate opened at 9½-9⅝ per cent, unchanged from Monday, but eased to 9$\frac{7}{16}$-9$\frac{9}{16}$ per cent at the close, while the one-year eased to 9½-9⅝ per cent from an unchanged opening level of 9⅝-9¾ per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Aug. 15 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	7-9¼	—	—	—	—	8½-8¾	—	—	—
2 days notice	—	—	9⅛	—	—	—	—	—	—	—
7 days or...	—	—	—	—	—	9¼	—	—	—	—
7 days notice	—	8⅞-9⅛	9⅛	—	9½	—	8½-8⅞	—	—	—
One month	9¼-9⅜	9⅛-9⅜	9⅛-9¼	9¾	9¾	9½	9	8¾	9¼-9⅜	10
Two months	9¼-9⅜	9⅜-9⅝	—	9⅝-9⅞	9¾	—	9	8⅞	9¼-9⅜	10
Three months	9¼	9⅜-9⅝	9¼	9½-9⅝	9¾	9½	9	8⅞	9½	10
Six months	9¼-9⅜	9½-9⅝	9½-9½	8½	9¾	—	—	—	9⅛-9¼	10
Nine months	9⅜-9⅝	9⅝-9⅞	—	9½-9½	10	—	—	—	—	—
One year	9½-9⅝	9½-9¾	9½	9½-9⅝	10¼	—	—	—	—	—
Two years	—	—	10½	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. *Longer-term local authority mortgage rate nominally three years 11 per cent; four years 11¼-11⅜ per cent; five years 11½-11⅝ per cent. Φ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 9$\frac{3}{16}$ per cent; four-month trade bills 10¼ per cent.

Approximate selling rates for one-month Treasury bills 8[illegible] per cent; and two-month 8[illegible] per cent; and three-month 8[illegible] per cent. Approximate selling rate for one-month bank bills 9⅛-9$\frac{5}{16}$ per cent; two-month 9[illegible] per cent; and three-month 9[illegible] per cent. One-month trade bills 9¾ per cent; two-month 9¾ per cent; and also three-month 9¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 10½ per cent from August 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6-7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 8.9026 per cent.

MONEY RATES

NEW YORK	
Prime Rate	9
Fed Funds	7.875
Treasury Bills (13-week)	6.97
Treasury Bills (26-week)	7.24
GERMANY	
Discount Rate	3
Overnight	3
One month	3.45
Three months	3.65
Six months	4
FRANCE	
Discount Rate	9.5
Overnight	7.25
One month	7.4375
Three months	7.5625
Six months	7.875
JAPAN	
Discount Rate	3.5
Call (Unconditional)	4.375
Bills Discount Rate	4.625

WORLD STOCK MARKETS

Wall St. above worst despite weak dollar

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—101½% (104½%)
Effective $1.9740—53⅛% (56%)

FURTHER LOSSES ere recorded on Wall Street yesterday, folloing profit-taking on the continuing fall in the dollar on Foreign Exchanges to record lows. But trading was the slowest in three weeks and a late firming trend tempered stock market losses.

After falling almost seven points, the Dow Jones Industrial Average finished 1.04 down at 887.13. The NYSE All Common Index shed 0.08 to $58.48, while declines led gains by 878-to-597. Trading volume decreased 2.56m shares to 29.76m—the slowest pace since 25.40m shares changed hands July 25.

Analysts warned that the dollar's sharp fall could prompt the Federal Reserve to tighten credit policy by raising its discount rate and by raising its target on key Federal Fund rates.

The Fed's policy-making Open Market Committee met Tuesday. However, money specialists doubted that the Fed would tighten credit immediately, because of an apparently weakening domestic economy and a slowing in growth of the money supply.

In the day's economic news, the Fed reported that Industrial Production rose an adjusted 0.5 per cent in July, the same as an upward revised figure for June.

Coca-Cola led the active list and shed $⅜ to $44⅜. Texaco, in second place, easead $¼ to $26½ despite its natural gas find in the Baltimore Canyon.

International Business Machines $2⅞ up at $291¼. Other Glamours and Blue Chips which lost $1 or more and then recovered most or all of their losses included Eastman Kodak, Polaroid, General Electric, Burroughs and Du Pont.

Hewlett-Packard declined $2½ to $87¼. American Brands $1 to $51⅞, and Bausch and Lomb $1½ to $51⅞.

Flintkote further improved $1⅜ to $35 and Pope and Talbot advanced $3½ to $33½.

Sanders Associates dropped $3¼ to $18¾—its proposal to construct a Highway Patrol system for Saudi Arabia was rejected.

Active Pan American Airways slipped $¼ to $7¾—it will redeem $25m of 20½ per cent convertible debentures.

Car makers reported record early August car sales but their shares showed only fractional changes.

Medusa jumped $2½ to $44, Nalco Chemical $1½ to $32¼ and NL Industries $2⅜ to $23⅞. Ferro picked up $2½ to $29⅜.

THE AMERICAN SE Market Value Index fell 0.34 to 161.56, ending a string of nine consecutive record highs. Volume of 4.56m shares was off slightly from 4.75m yesterday.

Instrument Systems topped the active list but held unchanged at $1⅛—a series of large blocks, including one of 100,000 shares, moved just before the close.

Resorts International 'A' gave way $2¼ to $86⅞ in active trading.

AVX lost $⅝ to $33—it offered 400,000 shares of its Common at $33¼. La Maur added $1½ at $5¾ before a trading halt due to an order imbalance.

Tokyo

Share prices fell in light trading, led by Export-Orientated issues following the shar pyen appreciation in Tokyo. Volume 210m (1.80m) shares.

Electricals, Vehicles and Cameras were major losers, followed by Pharmaceuticals and Chemicals.

Sony fell Y20 to Y1,490, Pioneer Electronic Y60 to Y1,500, Victor Japan Y30 to Y1,170, Nissan Motor Y16 to Y731, Asahi Optical Y25 to Y535 and Kaken Chemical Y110 to Y3,180.

Foods and Precision Machines were lower, but Fisheries, including Nippon Suisan, were bought selectively.

Canada

A mixed trend prevailed in moderate trading yesterday, when the Toronto Composite Index shed 0.8 to 1224.5. Nine of the 14 sub-groups were lower, led by a 46-point drop in the Gold Index to 1572.0.

Dome Mines fell $2 to $93, Campbell Red Lake $⅜ to $44, Camflo $⅛ to $15¾ and Giant Yellowknife $⅛ to $14¾, all on fairly small volume.

Controlled Foods rose $¼ to $6½ on a special 90 cents dividend. Trimac gained $2¼ to $25 on sharply higher first half net earnings.

Bank of Montreal finished unchanged at $23½—it ha dhigher balance of revenues and plans a rights offering.

Germany

Share prices eased, partly owing to the dollar's weakness and partly as technical reaction to recent strength.

In Engineerings, Linde, at DM 260, led losses of up to DM 4.

Among Motors, BMW at DM 226.5 were off DM 1 and Daimler shed DM 0.5 to 317.5, while Preussag lost DM 2 to 133 to lead Chemicals down.

Stores and Banks gave way up to DM 1.50.

GHH moved up DM 3.50 to 217 against the general trend on a revival of rumours VW is interested in buying a stake in the concern.

State Loans were mostly firmer, with gains of up to 60 pfennigs, although there were a few weaker issues losing up to 15 pfennigs. The Regulating Authorities sold stock worth DM 8.1m, compared with DM 8.4m on Monday.

Mark Foreign Loans remained firm.

Switzerland

Prices continued to drift following the steep decline of the dollar and German mark against the *Swiss franc. Swissair and Export* Oriented stocks were particularly hit.

Saurer Bearer were steady in an active turnover, while its Registered stock edged higher. Small losses predominated in Insurances, except for slightly higher Zuerich-Versicherung and steady Winterthur Bearer.

Domestic Bonds were quietly steady and Foreign Bonds were little changed.

On the Foreign sector Dollar stocks declined over a broad front. German shares fell sharply, while Dutch Internationals followed the general easier trend.

Australia

Markets firmed, with trading buoyant in the Mining sector, while some pre-budget caution was in evidence among Industrial stocks.

Following higher prices on the London Metal Exchange overnight, MIM rose 8 cents to A$2.42, while Central Norseman advanced 20 cents to A$10.50 on higher gold prices. Consolidated Gold Fields put on 5 cents to A$3.30.

CRA moved up 16 cents to A$3.32, Metana 10 cents to 50 cents, Haoma 2 cents to 62 cents, North West Mining 4 cents to 47 *cents and Western Queen 7 cents* to 28 cents.

Peko gained 10 cents to A$5.92 and EZ Industries 4 cents to A$2.88, but Queensland Mines fell 10 cents to A$3.10.

Hong Kong

The market firmed sharply in very active trading with across-the-board gains. The Hang Seng Index rose 16.44 to 647.98.

Hongkong Bank at $HK 21.40, Hong Kong Land at $HK 12 30 and Swire Pacific at $HK 10.0 each rose 50 cents. Hutchison Whampoa put on 30 cents to $HK 7.05. Jardine Matheson 20 cents to $HK 18.50 and Wheelock 7½ cents to $HK 3.525.

Elsewhere, hina Light and Hong Kong Wharf each advanced $HK 1.0 to $HK 30 and $HK 31 respectively. Cheong Kong improved 90 cents to $HK 14.10 and Hong Kong Telephone 75 cents to $HK 33.50.

Amsterdam

Share prices closed mixed, with Hoogovens slightly higher at Fl 37.4, while Philips eased to Fl 25.5 as did Royal Dutch to Fl 129.3 in Internationals.

Unilever gained Fl 2.80 to 119.7 on its higher second quarter profits announced Monday. AKZO closed official trading unchanged but rose Fl 1 to Fl 32.5 in after hours trading following its second quarter profit compared with last year's loss.

KLM fell Fl 1 to Fl 150.5 while Algemene Bank were Fl 355 ex dividend and Amsterdam Rotterdam Bank Fl 76.2 ex dividend.

State Loans were higher.

Turnover on the European Options Exchange totalled 756 contracts, up from Monday's 601, led by AKZO and Royal Dutch with 308 and 205 contracts respectively.

Next came KLM with 91 and Philips with 73, while Eastman Kodak was the most traded U.S. option with 22 contracts.

Of total series traded 14 were higher, 26 lower and six unchanged.

Johannesburg

Gold shares continued lower on profit-taking and with overseas investors reluctant to enter the market with the securities rand at the high level of 77 U.S. cents.

"Heavyweight" issues lost up to 125 cents.

Most Mining Financials were softer in line with Producers.

Platinum issues were easier following Impala's statement on the planned production increase.

Coppers were a few cents off where traded.

The Industrial sector was harder on balance in low volume trading.

MARKETS CLOSED

Markets were closed yesterday in the following countries for Assumption Day: Austria, Belgium, France, Greece, Italy, Lebanon, Luxembourg, Portugal, Spain and West Germany (Munich only).

India (Bombay, Calcutta, Madras) also were closed for Independence Day.

Indices

NEW YORK —DOW JONES

	Aug. 15	Aug. 14	Aug. 11	Aug. 10	Aug. 9	Aug. 8	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrial	887.13	888.17	890.88	885.48	881.65	889.21	891.85 (9/8)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.58	88.56	88.56	88.56	88.56	88.88	90.36 (4/1)	86.75 (11/7)	—	—
Transport	247.81	247.76	247.57	248.45	249.88	248.61	249.80 (9/8)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	106.75	106.87	107.27	107.41	107.48	107.98	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	29,760	32,320	33,550	39,830	48,880	34,440	—	—	—	—

* Basis of Index changed from August 24

	Aug. 11	Aug. 4	July 28	(Year ago approx)
Ind. div. yield %	5.26	5.25	5.47	6.13

STANDARD AND POORS

	Aug. 15	Aug. 14	Aug. 11	Aug. 10	Aug. 9	Aug. 8	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡ Industrials	114.87	114.89	114.89	114.57	115.53	115.09	115.53 (9/8)	95.52 (6/3)	134.54 (11/1/73)	3.52 (30/6/32)
§Composite	105.85	105.97	105.86	105.66	104.58	104.81	104.50 (9/8)	86.90 (6/3)	125.85 (11/1/68)	4.40 (1/6/32)

	Aug. 9	Aug. 2	July 26	Year ago (approx)
Ind div. yield %	4.70	4.76	4.85	4.49
Ind. P/E Ratio	9.97	9.78	9.40	10.06
Long Gov. Bond yield	8.52	8.48	8.66	7.70

N.Y.S.E. ALL COMMON

Aug. 15	Aug. 14	Aug. 11	Aug. 10	1978 High	1978 Low
58.48	58.56	58.53	58.54	58.75 (9/8)	48.37 (6/3)

Rises and Falls

	Aug. 15	Aug. 14	Aug. 11
Issues traded	1,890	1,917	1,882
Rises	597	816	865
Falls	878	702	614
Unchanged	415	399	405
New Highs	—	175	124
New Lows	—	3	2

MONTREAL

	Aug. 15	Aug. 14	Aug. 11	Aug. 10	1978 High	1978 Low
Industrial	198.87	199.78	199.85	199.57	200.23 (9/8)	162.90 (16/2)
Combined	207.58	207.38	207.20	206.97	207.58 (15/8)	170.62 (30/1)
TORONTO Composite	1224.5	1225.3	1223.3	1219.8	1225.3 (14/8)	998.2 (30/1)
JOHANNESBURG Gold	267.8	272.0	271.5	265.8	287.4 (1/8)	183.0 (20/4)
Industrial	263.1	261.8	261.5	260.8	263.1 (15/8)	194.9 (15/5)

	Aug. 15	Pre-vious	1978 High	1978 Low
Australia(§)	584.61	582.87	509.81 (15/8)	441.19 (1/3)
Belgium (‡)	(c)	97.88	101.18 (8/5)	90.43 (25/3)
Denmark (**)	98.82	98.95	98.96 (14/8)	94.03 (6/2)
France (‡‡)	(c)	75.9	76.0 (5/8)	41.0 (6/2)
Germany(‡‡)	811.7	818.4	818.9 (27/7)	761.4 (17/3)
Holland (‡‡)	85.8	85.8	87.0 (9/8)	76.0 (4/4)
Hong Kong (**)	647.98	631.54	647.98 (15/8)	383.44 (13/1)
Italy (‡‡)	(c)	65.98	69.24 (19/7)	50.45 (10/1)
Japan (a)	417.23	418.39	425.31 (16/7)	364.04 (4/10)
Singapore (b)	364.23	366.88	364.33 (15/8)	282.0 (9/1)

	Aug. 15	Pre-vious	1978 High	1978 Low
Spain (d)	(c)	(c)	110.78 (9/5)	87.86 (17/3)
Sweden (e)	402.75	408.23	408.08 (14/8)	325.74 (3/1)
Switzerl'd (f)	284.8	290.3	336.30 (25/8)	279.0 (25/6)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300—1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec., 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 2/1/72. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

TUESDAYS ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Coca-Cola	595,300	44⅜	− ⅜
Texaco	560,900	26½	− ¼
Medusa	529,100	44	+ 2½
LTV	329,100	12½	− ¼
Pan Am Air	249,500	7¾	− ¼
Nalco Chemical	215,100	32¼	+ 1½
Ralston Purina	211,700	14⅝	+ ⅜
Sanders Associates	206,900	18¾	− 3¼
N.L. Industries	208,300	23⅞	+ 2⅜
Holiday Inns	203,800	21⅞	+ ⅛

NEW YORK

Stock	Aug. 15	Aug. 14
[illegible]		

CANADA

Stock	Aug. 15	Aug. 14
[illegible]		

† Bid. ‡ Asked. § Traded. ‖ New stock.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax.
♥ Pta 500 denom. unless otherwise stated.
♣ DKr 100 denom. unless otherwise stated.
♦ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

GERMANY ◆

Aug. 15	Price Dm.	+ or −	Div. %	Yld. %
[illegible]				

TOKYO ¶

Aug. 15	Prices Yen	+ or −	Div. %	Yld. %
[illegible]				

Source Nikko Securities, Tokyo

AUSTRALIA

Aug. 15	Aust. $	+ or −
[illegible]		

OSLO

Aug. 15	Price Kroner	+ or −	Div. %	Yld. %
[illegible]				

BRAZIL

Aug. 15	Price Cruz	+ or −	Div.	Yld.
[illegible]				

Turnover Cr.185.784m. Volume 52.861m.
Source: Rio de Janeiro SE.

JOHANNESBURG

MINES

August 15	Rand	+ or −
[illegible]		

INDUSTRIALS

	Rand	+ or −
[illegible]		

Securities Rand $U.S.0.75½
(Discount of 34.13%)

SPAIN ♥

August 16	Per cent	+ or −
[illegible]		

AMSTERDAM

Aug. 15	Price Fls.	+ or −	Div. %	Yld. %
[illegible]				

BRUSSELS/LUXEMBOURG

Aug. 11	Price Frs.	+ or −	Div. Net	Yld. %
[illegible]				

PARIS

Aug. 11	Price Frs.	+ or −	Div. Frs.	Yld. %
[illegible]				

SWITZERLAND ♦

Aug. 15	Price Frs.	+ or −	Div. %	Yld. %
[illegible]				

COPENHAGEN ♣

Aug. 15	Price Kroner	+ or −	Div. %	Yld. %
[illegible]				

STOCKHOLM

Aug. 15	Price Kronor	+ or −	Div. Kr.	Yld. %
[illegible]				

MILAN

Aug. 11	Price Lire	+ or −	Div. Lire	Yld. %
[illegible]				

VIENNA

Aug. 14	Price %	+ or −	Div. %	Yld. %
[illegible]				

EUROPEAN OPTIONS EXCHANGE

Series		Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Apr. Vol.	Apr. Last	Stock
AKZ	F27.50	20	5.60	2	5.60	—	—	F32.30
AKZ	F30	17	3.40	11	4.5	—	—	..
AKZ	F32.50	134	1.80	108	2.80	16	4	..
ARB	F70	2	8	—	—	—	—	F76.20
ARB	F75	2	3	—	—	—	—	..
EK	$60	14	7⅜	—	—	—	—	$65¼
EK	$70	3	2¼	3	4½	2	6	..
FNC	$25	3	2	5	3¼	—	—	$26
GM	$70	5	¾	—	—	—	—	$63⅜
HO	F40	—	—	5	2.60	2	2.90	F37.50
IBM	$280	—	—	1	24	—	—	$288¼
IBM	$30	5	8⅛	1	13	—	—	..
KLM	F150	17	9	—	—	—	—	F152
KLM	F152.40	17	9.10	5	15	—	—	..
KLM	F160	17	5	—	—	—	—	..
KLM	F161.90	1	4.50	—	—	—	—	..
KLM	F170	7	4	—	—	—	—	..
KLM	F181	5	1.60	—	—	—	—	..
KLM	F190.50	—	—	22	2.50	—	—	..
PHI	F25	20	1.50	2	2.70	3	3.50	F25.60
PHI	F27.50	30	0.50	5	0.90	12	1.60	..
RD	F120	2	6.50	1	9.50	—	—	F130.00
RD	F130	112	3.60	45	5	—	—	..
RD	F140	14	0.60	31	2.00	—	—	..
S	$25	—	—	—	—	2	3.00	$24¼
UNI	F120	6	4.00	—	—	2	5.50	F120.30
UNI	F130	16	0.60	—	—	—	—	..
XON	$45	3	3¼	—	—	—	—	$47⅞

TOTAL VOLUME IN CONTRACTS 756

هكذا من الاصل

BASE LENDING RATES

A.B.N. Bank	10 %
Allied Irish Banks Ltd.	10 %
American Express Bk.	10 %
Amro Bank	10 %
A P Bank Ltd.	10 %
Henry Ansbacher	10 %
Banco de Bilbao	10 %
Bank of Credit & Cmce.	10 %
Bank of Cyprus	10 %
Bank of N.S.W.	10 %
Banque Belge Ltd.	10 %
Banque du Rhone	10½%
Barclays Bank	10 %
Barnett Christie Ltd.	11 %
Bremar Holdings Ltd.	11 %
Brit. Bank of Mid. East	10 %
■ Brown Shipley	10 %
Canada Perm't. Trust	10 %
Capitol C & C Fin. Ltd.	10 %
Cayzer Ltd.	10 %
Cedar Holdings	10½%
■ Charterhouse Japhet	10 %
Choulartons	10 %
C. E. Coates	10 %
Consolidated Credits	10 %
Co-operative Bank	*10 %
Corinthian Securities	10 %
Credit Lyonnais	10 %
The Cyprus Popular Bk	10 %
Duncan Lawrie	10 %
Eagil Trust	10 %
English Transcont.	11 %
First Nat. Fin. Corpn.	13 %
First Nat. Secs. Ltd.	12 %
■ Antony Gibbs	10 %
Greyhound Guaranty	10 %
Grindlays Bank	‡10 %
Guinness Mahon	10 %
■ Hambros Bank	10 %
■ Hill Samuel	§10 %
C. Hoare & Co.	†10 %
Julian S. Hodge	11 %
Hongkong & Shanghai	10 %
Industrial Bk. of Scot.	10 %
Keyser Ullmann	10 %
Knowsley & Co. Ltd.	12 %
Lloyds Bank	10 %
London Mercantile	10 %
Edward Manson & Co.	11½%
Midland Bank	10 %
■ Samuel Montagu	10 %
■ Morgan Grenfell	10 %
National Westminster	10 %
Norwich General Trust	10 %
P. S. Refson & Co.	10 %
Rossminster	10 %
Royal Bk. Canada Trust	10 %
Schlesinger Limited	10 %
E. S. Schwab	11½%
Security Trust Co. Ltd.	11 %
Shenley Trust	11 %
Standard Chartered	10 %
Trade Dev. Bank	10 %
Trustee Savings Bank	10 %
Twentieth Century Bk.	11 %
United Bank of Kuwait	10 %
Whiteaway Laidlaw	10½%
Williams & Glyn's	10 %
Yorkshire Bank	10 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 7-month deposits 7½%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7½%, and over £25,000 8½%.
‡ Call deposits over £1,000 7%.
§ Demand deposits 7½%.

London coffee prices end lower despite Brazilian crop damage

BY RICHARD MOONEY

AFTER A DAY of hectic and confused trading, coffee prices on the London futures market finished sharply lower yesterday.

Continuing fears of a serious Brazilian frost pushed prices higher in early dealings and the November position—which rose £138 on Monday—reached £1,400 a tonne at one stage.

Reports from Brazil, however, tended to minimise the damage done by an overnight frost, and by the close November coffee had slipped back to £1,292 a tonne—down £52 on the day.

There does seem to have been some damage in the main coffee state of Paraná, but few observers cared to estimate how much coffee might have been lost from next year's harvest.

One Brazilian trader, however, said he thought Paraná had lost about 1m bags (60 kilos each) out of a 1978-79 crop previously forecast at 5m to 6m bags.

London traders, meanwhile, said it was not clear whether the damage had been done by frost or by cold winds. Whatever the cause, though, most were agreed that losses were not too dramatic so far.

They were careful to point out, however, that the danger is not yet past. Sources at the Brazilian federal government weather office said they expected the frost warning for southern parts of the country to be maintained last night. The cold air mass over north-eastern Argentina had split into two halves — one remaining virtually stationary and the other moving across the country towards the Atlantic.

If yesterday's crop loss estimates prove near the mark and no further damage is done, coffee futures prices will probably subside, one London trader stated yesterday. He suggested that prices might ease by £50 or £100 a tonne.

It is probable, however, that the precise extent of Monday night's damage will never be known. After the drought earlier this year, which trimmed 3m to 4m bags off the current Parana crop estimate, ideas of next year's production have been little better than guesses.

The Brazilian authorities have taken a cautious attitude to the situation. The Coffee Institute announced yesterday that it had suspended exports while it evaluated crop prospects. Sr. Camillo Calazans, president of the institute, said he did not have full details of the damage, but it looked as if the first flowering for the next crop was affected.

This was the first time that frost has hit Brazilian coffee areas while the Government was virtually without stocks, Sr. Calazans added. He was worried that a sharp price rise might have an adverse effect on coffee consumption.

● Some coffee will be cheaper in British supermarkets next week. Tesco is to cut the price of its own-brand instant coffee. The 4 oz refill pack will go down by 6p to 69p and the 8 oz pack by 14p to £1.35.

Saleways is reducing its 8 oz refill from £1.47 to £1.29 and its 4 oz pack by 2p to 69p. Safeways' coffee granules and coffee and chicory mixture will also be cheaper.

Frost hits Parana again

BY SUE BRANFORD

SAO PAULO, August 15.

FOR THE second night running, the state of Parana has been hit by frosts. This time it was the north east of the state, around Jacarezinho, and Nova Fatima, that was affected.

Traders in Londrina in Parana believe that Monday night's frost will prove less damaging than Sunday's as it affected a region with only 62m bushels and the cold south wind, which does more harm than the frost itself, was blowing less strongly.

Traders, who spent yesterday out in the plantations near Umurama in the west and north west regions of the state, which were worst affected by Sunday night's frost, believe that next year's crop has been greatly affected, although the disaster has by no means reached 1975 proportions.

They are estimating that next year's crop in this area, which possesses 200m out of 650m bushes in the state as a whole, will be down by 50 per cent.

The cold wind "burns" the leaves on bushes facing south and prevents the newly-formed buds from opening.

An accurate evaluation of the damage will only be possible by Thursday or Friday when the affected leaves will start turning brown and falling off the bushes.

Sr. Daniel Henrique de Andrade, manager of Bung y Born's office in Londrina, said today that he believed that the worst of the cold weather was now over, as the icy wind had died down and the cold front from Argentina appeared to have blown over.

In mid-July, Sr. Daniel, who has been studying Parana's weather for 30 years, said that all the serious frosts had occurred under a crescent-to-full moon. He had thus predicted that the next period of danger for Paranà would occur from August 11-18.

China buys more U.S. wheat

WASHINGTON, August 15.

CHINA HAS purchased a further 1m tonnes of U.S. wheat bringing total sales to Peking to just over 2m tons since April of this year, the U.S. Agriculture Department reported here.

Most of the wheat is for export in the 1978 marketing year, which began on June 1.

These are the first U.S. wheat sales to China since 1974, when the Chinese halted purchases after a cargo was found to be infected.

Mr. Bob Bergland, the Agriculture Secretary, who is to visit China in October, said that special steps had been taken to ensure that wheat sold to China was free from contamination.

● The House of Representatives international relaitons committee voted to authorise the establishment of an international emergency wheat reserves of up to 6m tonnes.

This was double the size of a similar reserve voted by the House agriculture committee earlier in the day, but in line with what the Carter Administration wanted.

The panel rejected an alternative whcih would have given the Secretary of Agriculture discretionary power to use $500m per year to buy wheat stocks as needed to meet international needs.

Reuter

Wool sales open only slightly up

By Our Commodities Staff

THE AUSTRALIAN wool auctions officially opened the 1978-79 season yesterday, with prices only marginally higher than at the end of the last season's sales in June.

However, although increases were somewhat less than anticipated, the Australian Wool Corporation also provided less support than predicted.

At the Melbourne sale, the corporation took only 8.5 per cent of the total offering of 10,589 bales; 5.5 per cent was passed in without being sold.

Prices of merino fleece and skirtings were generally up to 1.5 per cent higher than in June, while crossbreds were up to 2 per cent dearer.

In Sydney, the corporation bought 12 per cent of the offering, with 2.5 per cent passed in.

It was generally anticipated that the corporation would have to buy larger quantities to boost prices during the traditionally quiet summer months.

In the event the corporation appears to have managed to keep values above the increased reserve level without adding too much to its stockpile.

NEPAL AGRICULTURE

Time running out for erosion fight

BY A CORRESPONDENT

IN LESS than ten years the once mighty forests of the Nepalese Himalayas will be gone, according to a forestry expert from the UN Food and Agriculture Organisation in Kathmandu. The World Bank is apparently of a similar view, for it has arranged for 15 surveys to be carrired out during the next four months to provide the basis for a nattionwide 20-year scheme to re-forest the flanks of this great crest of Asia.

Erosion has always been part of the natural balance of the region, but as the controlling presence of ancient forests has crumbled before the growing demands of the population for fuel and fodder, the pace of erosion has increased threatening disaster for Nepal's 13.3m people and millions of others on the flood plains to the south.

Monsoon

Most of Nepal's population is without any fuel source other than wood or expensive kerosene. On the rugged mountain sides, where 80 per cent of the people scratch out a bare living, the forests that are not cut for fuel or fodder are often cut to make way for new fields and terraces, as villages grow and good land becomes scarce and over-worked.

In theh spring, the fields and terraces are dry and dusty. Then, in June, the monsoon arrives and in three months deposits 80 per cent of the country's rainfall of up to 6000 mm a year, stripping the hillsides of top soil.

As the rain saturates the hills, landslides occur by the hundred. Homes, fields, new irrigatnon canals and piped water systems are destroyed, and roads blocked. Two or three large slides have blocked whole rivers until the backed-up waters have burst through, causing violent floods and wrecking havoc for up to 200 miles downstream.

Nepal's Tamur watershed annually loses 68.9 tons of top soil per acre compared with the world norm of between 0.5 and 9 tons per acre. Each year Nepal's four main river systems, carrying trees, boulders and an estimated 240m cubic metres of soil spew on to the Gangeatic plain, damaging large areas of Utar Pradesh, Bihar, West Bengal and Bangladesh.

Silt from the Himalayan watershed discolours the Indian Ocean more than 400 miles out to sea, and satellite reports show 40,000 sq miles of silt clogging the Bay of Bengal.

Floods from the Himalayas were undoubtedly once a constant bounty for the people on the plain, because of the rich alluvial soil they deposited in sporadic minor floods. Now, as over-population, deforestation and erosion snowball gathers momentum, Nepal is in danger of becoming a mountain desert, with omre than 4,000 square miles already identified as "desertified," while devastating floods are increasing in the south.

Ironically, without mineral, oil or coal deposits of any size, water is also Nepal's most important natural resource. Massive hydro-electric power plans are underway all over the country, the largest being the $1.5bn Chisapani project on the Karnali river, which will take more than 20 years to build.

Ready

Nepal hopes that the new power plants will aid control of flood waters, solve some erosion problems by providing an alternative fuel, aid food production with irrigation and produce a highly profitable new export.

Nevertheless, replenishing the forests remains the most obvious answer to returning erosion to its normal levels. The Food and Agriculture Organisation's expert, Mr. Mervin Stevens, believes that Nepal is ready now to undertake wide, village-level re-afforestation projects on the basis of forestry studies that have been done since 1965. He says that the long delay involved in waiting for the World Bank surveys (during which Mr. Stevens' $90,000 project has been temporarily suspended) is unnecessarily "rehashing old ground" and also wasting precious time.

Other observers agree that half a dozen $80,000-a-year consultants are not needed to top off 13 years work in the field and that it is simply time to get on with the job.

Record copper demand forecast

BY JOHN EDWARDS, COMMODITIES EDITOR

WESTERN WORLD consumption of refined copper will exceed 7m tonnes for the first time ever this year, according to the latest quarterly review of the copper market issued by Commodities Research Unit today.

However it is predicted that demand will turn down again in 1979.

The review points out that buoyant fabricator activity in the U.S. and Japan in the first half of this year has helped to maintain demand for copper, but a marked slowdown in the American economy next year will be reflected in a fall in copper consumption there. Meanwhile, little growth in Japanese and European demand for copper is expected.

Cuts in supply and the resultant rundown in stocks, are expected to push the copper price through £800 a tonne by the end of the year.

However, by the second quarter of next year the slackening in world demand for copper, combined with the reappearance of a supply surplus as new mines open in Mexico, Iran and the Philippines, will once again hit prices, it is claimed, and prices next summer may be only modestly up on present levels.

On the London Metal Exchange yesterday copper prices lost ground for the first time in five trading days. The market followed a downward trend on New York, despite the failure of ne wtalks to end the Peruvian miners' strike.

Lead values, which rose strongly in early trading, ended the day only slightly higher.

The markets also shrugged off a series of U.S. domestic prices announced by copper, lead and zinc producers.

KERALA PLAN FOR COCOA CROP

NEW DELHI, August 1.

The Kerala state government plans to cultivate cocoa on 25,000 hectares in a seven-year programme beginning in 1978-79, Mr. Bhanu Pratap Singh, Minister of State for Agriculture, told Parliament.

The plan is to cultivate the cocoa as an intercrop in coconut and other plantations at a cost of Rs7.13m.

Reuter

Sharp falls in sugar

By Our Commodities Staff

WORLD SUGAR prices fell sharply on the London terminal market yesterday.

The London daily price for raws was cut by £2 to £92 a tonne and on the futures market the December position closed nearly £4.50 lower at £93.375 a tonne.

The decline was attributed to reports of higher beet weight and sugar content in the latest tests on the West German and Swedish beet crops.

The rise in sterling against the dollar also encouraged profit-taking sales.

Another influence was the news from Washington of the Administration's strong opposition to a House of Representatives Agriculture Committee Bill which would set up an import quota system designed to raise the minimum price paid to U.S. growers to 16 cents a lb.

Spanish bid to improve orange quality

BY A CORRESPONDENT

REFORMS PROPOSED for Spains' citrus industry should, if adopted, improve the standard and acceptance of Spanish oranges abroad.

The proposals issued in the form of a Royal Decree, come at a time when action is needed to compensate growers for what is expected to be a poor crop next season.

For some years it has been suggested that there is a need for a register of exporters who, to qualify for inclusion, would have to supply a minimum tonnage of fruit, obey rules governing standards and submit to strict inspection procedures.

Among the aims of the reforms is the removal of conditions that favour producers and exporters careless about standards and bureaucrats to whom efficiency is less important than power.

In the past, citrus producers have tended to be dominated by the merchants, larger co-operatives and government officials. The reforms should mean that next season the growers will find themselves with many more votes on the industry's committee of management than at present.

The producers' extra power will be measured by more than just their own votes, though. As a potential ally they have suddenly become much more interesting to co-operatives and syndicates wanting to oppose the merchants on issues in which the small have had to bow to the big.

However, political differences vanish before a menace that is universally opposed—the virus disease "tristeza," which has been relentlessly destroying plantations despite an elaborate scheme introduced some years ago to replace all existing trees with others with in-bred resistance to the disease.

Ironically, the depletion—and the fear that next season's crop will suffer seriously from the disease—has been a big factor behind the moves that should lead to a better deal for the man who grows the fruit.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Lost ground overall for the first time in five trading days on the London Metal Exchange.

COCOA

The recent steady trend continued throughout the day, despite a further weakening in the U.S. dollar, Gill and Duffus reported.

COFFEE

GRAINS

SILVER

COTTON

SOYABEAN MEAL

SUGAR

WOOL FUTURES

RUBBER

MEAT/VEGETABLES

English produce: Potatoes—per 25 kilos 0.90-1.36. Lettuces—per 12 0.90. Cos 0.90. Webbs 0.50. Rhubarb—per pound, outdoor 0.06. Cucumbers—per tray 12/24s 1.20-1.40. Mushrooms—per pound 0.40-0.60. Apples—per pound Grenadier 0.05-0.06, Lord Derby 0.10, George Cave 0.13, Bramley 0.16. Tomatoes—per 12 lb English 1.20-1.40. Cabbages—per crate 0.80. Celery—per head 0.08-0.12. Cauliflowers—per 12 Lincoln 1.50-2.00. Broad beans—per pound 0.06. Runner beans—per pound Stick 0.20-0.25, Ground 0.16-0.18. Peas—per pound 0.05. Beetroots—per 28 lb 0.60-0.80. Carrots—per 28 lb 0.60-1.00. Capsicums—per pound 0.16-0.20. Courgettes—per pound 0.07-0.10. Onions—per bag 1.00-1.50. Swedes—per 28 lb 0.80-0.90. Turnips—per 28 lb 1.00. Plums—per pound Laxtons 0.20, Rivers 0.10, Czars 0.10, Oullins 0.09.

SRI LANKA TO EXPORT RICE

COLOMBO, August 14.

SRI LANKA, once "the granary of the East," is to become a rice exporter for he first time in 200 years.

A record "maha" harvest earlier this year and a bumper crop from the current "yala" season will give the island a surplus of 500,000 tonnes by December.

The Trade Ministry has already begun negotiations with the Maldives for the sale of 100,000 tonnes and requested China and Pakistan to defer shipments of rice contracted 10 months ago when estimates of production were not so encouraging.

The "maha" harvest brought 51m bushels of paddy to the State Paddy Marketing Board—the highest figure in ten years. Estimates for the current crop range from 25m to 30m bushels.

Annual consumption of rise is 1.1m tonnes.

PRICE CHANGES

Price per tonne unless otherwise stated.

INDICES

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

GRIMSBY FISH

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But will it be a good night to them?

Even as you read this, thousands of children in Britain are close to despair and in urgent need of help. What can we do about it?

One very good way is to help Barnardo's. They have some marvellous people who spend their lives doing everything they can for children in trouble.

There are many calls on your money these days, but I hope you will feel, as I do, that children are special and need an extra effort from all of us.

Please try to spare something now. It could hardly be put to better use. Thank you.

Please give, your caring isn't enough.

Send your cheque/PO, made payable to Dr. Barnardo's, to: Dr. Barnardo's, FTC, Freepost, Ilford, Essex IG6 1BR.

Barnardo's

U.S. Markets

Copper and precious metals ease

NEW YORK, August 15.

PRECIOUS METALS eased on Commission House profit-taking, after a strong rally in the dollar. Copper also fell back, following precious metals, on scattered long liquidation, Bache reported. After initially opening limit-up on Commission House buying due to frost scares, coffee closed weakly on trade selling. Cocoa opened firm on trade arbitrage buying, but later eased on speculative profit-taking.

Cocoa—Sept. 159.25 (159.85), Dec. 135.05 (135.25), March 150.65, May 147.60, July 144.75, Sept. 142.25, Dec. 129.30. Sales: 847 lots.

Coffee—"C" Contract: Sept. 135.00-135.50 (143.00), Dec. 124.50 (127.25), March 114.75-115.00, May 118.90, July 108.00-110.00, Sept. 107.50-109.00, Dec. 03.38 asked. Sales: 1,220 lots.

Copper—Aug. 65.85 (66.35), Sept. 66.30 (66.85), Oct. 66.60, Dec. 67.80, Jan. 68.20, March 69.15, May 69.95, July 70.80, Sept. 71.65, Dec. 72.65, Jan. 73.00, March 73.65, May 74.30. Sales: 11,000 lots.

Cotton—No. 2: Oct. 62.65 (62.65), Dec. 64.47-64.50 (64.72), March 66.25, May 67.20-67.30, July 65.10-65.15, Oct. 65.60-65.70, Dec. 65.70. Sales: 4,050 bales.

*Gold—Aug. 212.60 (214.70), Sept. 211.50 (215.70), Oct. 214.50, Dec. 218.00, Feb. 221.30, April 224.70, June 228.20, Aug. 231.70, Oct. 275.30, Dec. 238.70, Feb. 242.20, April 245.70, June 249.20. Sales: 19,000 lots.

†Lard—Chicago loose 23.50 (23.00). NY prime steam 25.00 traded (24.75 traded).

‡Maize—Sept. 223-222½ (216½), Dec. 220-228 (222), March 239-238, May 244-246½, July 247-249½, Sept. 249-252.

§Platinum—Oct. 274.20-274.90 (279.50), Jan. 276.70-277.40 (281.80), April 279.50-279.70, July 282.00-282.20, Oct. 284.90-285.10, Jan. 285.60-288.50, April 292.20-292.50. Sales: 2,210 lots.

‖Silver—Aug. 561.40 (565.70), Sept. 562.90 (570.60), Oct. 566.90, Dec. 575.00, Jan. 578.90, March 587.30, May 595.60, July 604.60, Sept. 612.30, Dec. 627.20, Jan. 631.90, March 641.70, May 650.70. Sales: 12,000 lots. Handy and Harman spot bullion 561.50 (567.50).

Soyabeans—Aug. 649½ (640), Sept. 643½-644 (635½), Nov. 635-637, Jan. 644-643, March 651-651½, May 656-657, July 656-659, Aug. 655.

Soyabean Meal—Aug. 166.30 (163.60), Sept. 167.00 (164.10), Oct. 166.50, Dec. 169.20-169.60, Jan. 170.80-170.00, March 173.00, May 175.00-174.50, July 176.50, Aug.

STOCK EXCHANGE REPORT

Buyers hold off again and downward drift continues

30-share index down 2.3 at 511.2—Gold shares react

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Aug. 7	Aug. 17	Aug. 18	Aug. 30
Aug. 21	Aug. 31	Sep. 1	Sep. 12
Sep. 4	Sep. 14	Sep. 15	Sep. 26

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Equity stock markets passed another subdued session yesterday and the majority of the Indusrial leaders lost a little further ground. The July trade figures appeared to be quickly forgotten, but with several other economic pointers due later in the week in the shape of the money supply figures on Tuesday and he Retail Price Index on Friday, the underlying tone became uncertain.

Potential institutional buyers continued to hold off and, with occasional smal lselling evident, the FT 30-share indev drifted off to close 2.3 lower at 511.2. Among the day's few areas of interest, the suspension of Hawker Siddeley at 242p pending details *of nationalisation compensation* terms—announced well after market hours—enlivened interest in other compensation candidates, wth Vickers moving ahead to close 6 dearer at 190p. By way of contrast, fears about the effects on U.S. earnings following the recent slide in the dollar prompted marked dullness in the Insurance Broking sector, as reflected in a fall of 2.3 per cent to 363.09 in the FT-Actuaries index for the subsection compared with a loss of only 0.4 per cent to 234.6, in the All-Share index.

Interest in British Funds tended to be restrained, but a resonable trade developed throughout the market. Short-dated stocks traded within narrow limits before closing a shade lower on balance, but longs ended with gains of ¼ after having been down that amount in the early dealings.

The fall of $1¼ in the bullion price to $213¾ an ounce, which reflected yesterday's sudden turnaround in the fortunes of the dollar, brought a halt to the recent upsurge in Gold shares. Losses in the heavyweights extended to over a point and the Gold Mines index reacted 5.6 to 201.0.

In the investment currency market, the premium opened lower and drifted down on a lack of buyers in the face of institutional and arbitrage selling. The close was around the day's lowest of 101¾ per cent, 3 points down on the overnight level. Yesterday's conversion factor was 0.6485 (0.6402).

The volume of business in Traded Options again left much to be desired, although the number of contracts completed improved to 594 from the previous day's 331. Cons. Gold with 159 were again the most active reflecting the movements in the bullion price; the April 200 series cheapened 4½ to 18½p.

Ins. brokers dull

Concern about the effect of a depreciating dollar on their overseas earnings depressed Insurance Brokers which closed lower *throughout*. C. E. Heath *declined* 8 to 287p, while Sedgwick Forbes, 463p, and Willis Faber, 280p, gave up 7 apiece. Hogg Robinson cheapened 6 to 212p and Minet shed 5 to 211p as did Alexander Howden, to 162p. Composites also moved lower with Royals a couple of pence down at 398p ahead of tomorrow's interim results. Legal and General receded 4 to 175p among Life issues and Britannic relinquished 2 to 178p; the latter's half-yearly figures are due today.

The major clearing banks continued to drift lower. NatWest dipped 6 to 280p and Midland 4 to 362p. Elsewhere, Union Discount firmed 7 to 345p. UDT edged forward a penny to 44p ahead of today's preliminary results.

Distilleries continued to attract a reasonable trade and closed on a firm note. Invergordon, in which Carlton Industries, controlled by Hawker Siddeley, hold a 76.2 per cent shareholding, met with renewed speculative interest and finished 9 higher at 140p for a two-day improvement of 16. Small buying ahead of next month's results lifted A. Bell 4 further to 294p, while similar rises were seen in Highland, 153p, and Macallan Glenlivet, 350p. Breweries drifted gently lower in light trading.

Selected Building descriptions improved on sporadic demand. Blue Circle firmed 3 to 296p and Nottingham Brick 5 to 305p, the latter in a thin market. Vibroplant added 6 for a two-day jump of 16 to a 1978 peak of 196p on the sharply higher annual profits. Richards and Wallington put on 5 to 88p on revived speculative demand. George Wimpey hardened 3½ more to 98½p and, in response to the annual results, Wiggins Construct firmed 1½ to 35p. In a restricted market, Burt Boulton finished 10 dearer at 180p but, following the sale of the building supply division to Travis and Arnold, Ellis and Everard cheapened 5½ to 88½p. After recent strength, London Brick closed a penny lower at 77p; the interim results are due next week.

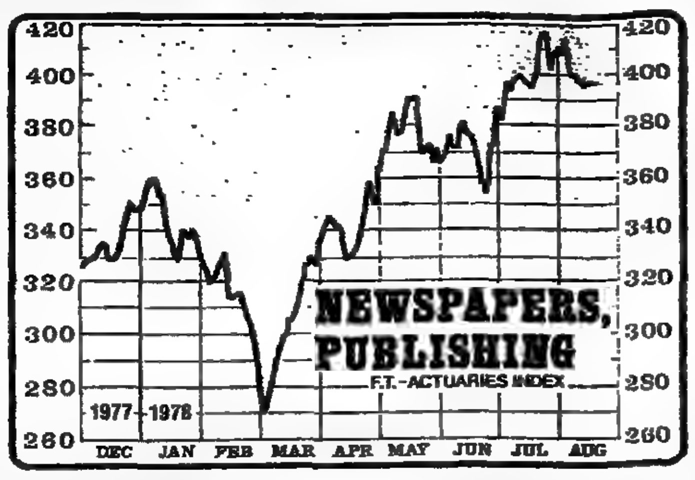
Business in ICI lacked urgency and the close was a penny *cheaper at 400p. Elsewhere,* Blagden and Noakes firmed 5 to 275p in belated response to Press comment, but recently firm Laporte met profit-taking and shed 3 to 124p.

Bourne better

A resurgence of speculative buying on hopes of early news of the bid discussions was responsible for a rally of 6 to 265p in Bourne and Hollingsworth. Still reflecting bid hopes, Burton improved 2 to 168p, while the A hardened a peny to 155p. F. W. Woolworth eased a fraction to *71p in front of today's interim* figures. Lambert Howarth rose 3 to 49p among shoes in response to the higher first-half earnings.

Publicity given to the implications of the falling dollar on the *company's profits unsettled* BSR which dropped 5 to 99p. Dale Electric closed 4 off at 172p despite the increased earnings but Louis Newmark responded to the increased dividend and profits with a rise of 10 to 205p.

The surprise mid-afternoon suspension of dealings in Hawker at *242p and the later statement to* the effect that the group has reached agreement with the Government for a £80m nationalisation compensation payment for its aviation and dynamics interests, enlivened proceedings considerably in Engineerings and sparked off a good demand for other stocks awaiting such payments. Vickers, in particular, *rallied from 181p* to close the day 6 firmer on balance at 190p, while Hawthorn Leslie *rose* 8 to 73p and Yarrow improved 5 to 275p in sympathy. Elsewhere, WGI rose 4 to 122p in response to Press comment, while persistent demand in a market none too well supplied with stock left Midland *Industries up 3 at 48p, after 49p.* By way of contrast, Alcan Aluminium fell 10 to 153p in reaction of the first-half profits setback and Tubes softened 2 to 412p in front of today's interim results.



Foods fluctuated narrowly and closed little changed, but J. Sains*bury lost 4 to 233p for a two-day* decline of 10. Barker and Dobson were also dull at 13¾p, down ¾, following the company's decision to withdraw from the grocery business, while small selling clipped 2 from Geo. Bassett at 144p and 4 from Tate and Lyle at 182p. Of the isolated firm spots, *Carr's Milling rose* 3 to 5p and Bishop's Stores put on 5 to 165p. In Supermarkets, Lennons eased 2 to 34p and William Morrison shed 3 to 92p.

Carlton Inds. good

Lacking fresh institutional support, the miscellaneous Industrial *leaders drifted lower on small* selling. Bowater, 201p, and Reed International, 130p, gave up 5 and 6 respectively, while profit-taking after the recent good rise ahead of the forthcoming 100 per cent scrip-issue left Pilkington 7 down at 615p. Unilever were a firm exception, rising 4 more to 574p following Press comment on the much better-than-expected second-quarter profits; the N/V rose 1¼ points to £27¼. Elsewhere, speculation that Hawker may bid for Invergordon Distillers helped *Carlton Industries, which hold a* 76 per cent stake in ID, rise 10 to 238p, after 240p, while J. H. Fenner gained 4 to 165p on vague suggestions that Hawker will use part of its compensation cash in acquiring the shares in Fenner it does not already own. Interim profits in line with expectations left Smith and Nephew 1½ dearer at 77½p after 78p, while Barr and Wallace Arnold Trust A hardened 2 more to 131p on Press comment. Profit-taking after the recent good gains prompted falls of 7 and 9 respectively in Vinten, 210p, and De La Rue, 448p.

York Trailer, 3 cheaper at 55p on the first-half profits setback, provided one of the few note-*worthy movements in listless* Motors and Distributors. ERF, in sympathy, eased 2 to 127p, while similar losses were seen in Heron Motor, 138p, and Automotive Products, 81p.

Jonas Woodhead finished a penny off at 100p; the price of 106p in last Saturday's issue was *incorrect.*

The announcement that the Office of Fair Trading proposes to refer the supply of roadside advertising services to the Monopolies Commission left Mills and Allen International 6 lower at 189p. Richard Clay firmed 9 to 87p on speculative demand and, awaiting today's annual results, Melody Mills added a penny to 103p.

With the exception of Stock Conversion, which drifted 4 easier to 286p, leading Properties held firm in a slow trade and secondary issues provided the occasional Reflecting the chairman's annual *statement,* Allnatt London firmed 9 to 233p and, in a thin market, Glanfield Securities put on 11 to 273p. Buyers turned their attention to Property Partnerships which improved 4 to 110p, and Trafford Park Estates which added 5 to 127p. Bellway Holdings hardened a couple of pence to 70p on renewed speculative support, and Chaddesley Investments rose a similar amount to 32p in continued response to the recent major reorganisation and merger with Greycoat Estates.

Oils remained quiet and British Petroleum eased marginally to 864p, while Shell, in front of tomorrow's interim figures, cheapened 3 to 572p. Profit-taking following the recent speculative advance clipped a couple of pence from Burmah at 73p, while disappointment with the interim profits coupled with adverse Press comment left Ultramar 6 lower at 250p, a fall of 27 since last Thursday's announcement. Oil Exploration eased 8 to 198p on profit-taking, while a sole seller in later trading was responsible for a fall of 19 to 375p in Siebens (U.K.).

Overseas Traders were notable for a speculative flurry in William Jacks which closed 3½ better at 30p.

Investment Trusts closed with the occasional small loss following a disappointing trade. Gresham Investment finished 2½ off at 68p on the liquidation of speculative positions following the good preliminary figures. Financials had a couple of firm spots in Dalgety, 7 better at a 1978 peak of 295p on buying in anticipation of results due shortly, and London Merchant Securities, 3 up at 116p on vague talk of further rationalisation moves.

Furness Withy weakened further in idle Shippings, losing 11 to 251p in light trading following a bid denial from European Ferries. Other dull spots included British and Commonwealth, 4 easier at 290, and Common Bros., 8 cheaper at 134p.

Nottingham Manufacturing featured in Textiles, losing 8 to 128p on the disappointing half-yearly figures. Reliance Knitwear contrasted with a rise of 3 to 50p on the increased earnings, while interest was also shown in Vita-Tex, 3 higher at 33p.

Golds marked down

After moving further ahead at the outset on the initial rise in the bullion price to a record $216.375 per ounce, South African Golds went into sharp reverse as the metal price dipped following the strong recovery of the dollar.

The bullion price closed $1.25 lower at $213.375, its first fall for seven trading days, while the Gold Mines index relinquished 5.6 to 201.0.

The substantial losses in share prices owed more to a heavy marking down by jobbers rather than to selling pressure and falls were exaggerated by the lower investment premium and securities rand rates.

Heavyweights gave up as much *as £1¼, as in West Driefontein,* £28¾, while stocks to lose around a point included Randfontein, £40¾, and Western Holdings, £24.

Among cheaper-priced issues, falls of between 13 and 18 were common to Stilfontein, 313p, Zandpan, 254p, Harmony, 438p and Unisel, 227p.

Financials moved similarly to Golds. Anglo American Corporation closed a penny harder at 372p, after a 1978 high of 376p, while Union Corporation eased 6 to 324p and De Beers 2 to 460p.

Among London-domiciled issues, Gold Fields fell 6 to 194p *and Selection Trust* 12 to 460p.

News of the proposed merger with Impala Platinum and the pending name change failed to inspire Bishopsgate Platinum which dropped 8 to 106p, *influenced by the downturn in* Golds. Rustenburg gave up 6 to 99p.

Coppers were unmoved. Tins gained further ground owing to the strength of the Penang tin price which prompted a strong overnight eastern demand. Ayer Hitam were lifted 20 to a 1978 high of 415p and Malayan Tin put on 15 to 470p.

Australians moved eratically. After moving ahead in overnight domestic markets prices improved further here following the Federal budget before turning easier in line with the investment premium.

Nevertheless, Conzinc Riotinto held an earlier gain to close 8 up at a 1978 high of 294p and MIM *Holdings put on 6 to 222p.*

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
ICI	£1	13	400	−1	401	328
BP	£1	11	864	−2	906	720
Barclays Bank	£1	10	335	−3	368	298
GEC	25p	10	308	−2	311	233
Bowater	£1	8	201	−5	212	163
Burmah Oil	£1	8	73	−2	77	42
De Beers Dfd.	R0.05	8	460	−2	464	285
Marks Spncr. New	25p	8	87	−1	90	67½
Nottingham Manf.	25p	8	295	—	302	227
BATs Dfd.	25p	7	295	—	302	227
Beecham	25p	7	710	−2	730	583
Distillers	50p	7	197	−2	201	183
Invergordon Dist.	25p	7	140	+9	130	83
Royal Insurance	25p	7	398	−2	425	343
Shell Transport	25p	7	572	−3	586	484

FINANCIAL TIMES STOCK INDICES

	Aug. 15	Aug. 14	Aug. 11	Aug. 10	Aug. 9	Aug. 8	A year ago
Government Secs.	71.15	71.09	71.28	71.33	71.24	71.25	70.47
Fixed Interest	72.89	72.80	72.89	72.89	72.82	72.86	69.98
Industrial Ordinary	511.2	513.5	514.8	514.0	516.2	507.0	490.4
Gold Mines	201.0	206.6	205.0	198.8	200.6	195.7	159.5
Ord. Div. Yield	5.28	5.26	5.26	5.27	5.24	5.33	5.00
Earnings, Y'ld % (full)	15.92	15.88	15.87	15.95	15.91	16.18	14.98
P/E Ratio (net) (*)	8.34	8.37	8.37	8.36	8.40	8.26	9.89
Dealings marked	5,097	5,518	6,084	6,717	6,231	5,611	5,099
Equity turnover £m	—	69.16	95.78	189.47	145.17	113.69	97.99
Equity bargains total	—	17,322	23,084	26,369	25,414	23,568	17,147

10 am 513.8. 11 am 512.8. Noon 511.7. 1 pm 510.8. 2 pm 511.0. 3 pm 511.1.

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil = 8.12.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	68.79 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	70.75 (5/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	516.2 (9/8)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8)	130.3 (2/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Aug. 15	Aug. 14
—Daily		
Gilt-Edged	148.3	161.8
Industries	184.5	209.0
Speculative	62.0	80.3
Totals	118.0	127.9
5-day Average		
Gilt-Edged	150.3	185.1
Industrials	229.7	258.8
Speculative	62.3	59.0
Totals	155.3	141.7

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug. 15	Aug. 29	Nov. 9	Nov. 21
Aug. 30	Sep. 11	Nov. 23	Dec. 5
Sep. 12	Sep. 25	Dec. 7	Dec. 19

For rate indications see end of Share Information Service

Money was given for the call in Courtaulds, Barrow Hepburn, Minet, Boots, Racal Electronics, Spillers, Chaddesley, Lonrho, Premier Consolidated Oil, UDT, British Land, Charterhall, MFI Furniture, Consolidated Gold Fields, Union Corporation, Howard Machinery, Dawson International, Bryant, Mitchell Cotts, Sabah Timber, A. Bell, De Beers, K Shoes and Barker and Dobson. A put was done in London Brick, while doubles were arranged in Lonrho, UDT, Capital and Counties and Barker and Dobson.

LONDON TRADED OPTIONS

Option	Ex'rcise price	October Closing offer	October Vol.	January Closing offer	January Vol.	April Closing offer	April Vol.	Equity close
BP	750	129	—	147	—		—	866p
BP	800	84	—	110	2	133	—	,,
BP	850	51	2	78	—	99	—	,,
BP	900	26½	6	54	—	76	—	,,
Com. Union	140	19	—	21	—	27	—	157p
Com. Union	160	6½	—	12	52	16	14	,,
Com. Union	180	1½	—	5½	38	9	—	,,
Cons. Gold	160	38	—	39	—	43	17	194p
Cons. Gold	180	19	45	24	—	28	—	,,
Cons. Gold	200	6	80	14	1	18½	—	,,
Courtaulds	100	25	—	24½	—		—	120p
Courtaulds	110	14	—	15½	—	20	—	,,
Courtaulds	120	8	—	11	—	14½	—	,,
Courtaulds	150	3½	—	6½	—	10	—	,,
GEC	220	91	6	97	1		—	309p
GEC	240	71	—	79	—	85	—	,,
GEC	260	51	—	61	—	65	—	,,
GEC	280	32	17	46	—	50	—	,,
GEC	300	20	39	32	—	38	—	,,
GEC	330	7	19	16½	—	22½	—	,,
Grand Met.	100	21	—	24½	1	26	—	119p
Grand Met.	110	13½	—	17	—	19½	—	,,
Grand Met.	120	6½	—	10½	—	14	—	,,
ICI	330	75	5	74	—	76	—	400p
ICI	360	43	16	45	55	50	15	,,
ICI	390	18	—	29	30	33	—	,,
ICI	420	7	12	17	—	19½	—	,,
Land Secs.	180	58	—	60	—	64	2	236p
Land Secs.	200	39	11	43	—	47	4	,,
Land Secs.	220	20	14	26	—	31	5	,,
Land Secs.	240	7½	5	14	—	19	—	,,
Marks & Sp.	60	30	—	30½	—	31	—	87p
Marks & Sp.	70	20½	—	20½	1	24	—	,,
Marks & Sp.	80	10½	—	11½	9	14½	—	,,
Marks & Sp.	90	4½	2	6	30	8½	—	,,
Shell	500	85	19	88	17	100	—	574p
Shell	550	37	4	48	—	62	—	,,
Shell	600	12	10	25	3	37	—	,,
Totals			311		226		57	

APPOINTMENTS

Senior changes at Laporte Industries

Mr. D. A. Smith, personnel and operations director, LAPORTE INDUSTRIES LIMITED, will relinquish his responsibilities for operations at the end of October to concentrate on the personnel position. Mr. K. J. Minton, managing director of the general chemicals division, will become operations director from November 1 and he will also take over as technical director on the retirement of Mr. G. H. Maddra in 1979. Dr. J. V. Bramley, deputy managing director, general chemicals division, is to be appointed to a senior group position *responsible to Mr. Minton* next year. Mr. B. A. Hall, works manager, Warrington, has been made managing director, general chemicals division, from the beginning of November. Mr. J. Leach, works manager, Widnes, is appointed works manager, Warrington, from October 1 and Mr. R. Parrott is now works manager, Widnes.

Mr. D. A. Smith

★

Two appointments have been made in international companies of EMI from September 4, under Mr. Malcolm Brown, director of music operations, South East Asia. Mr. Neil Sarsfield becomes managing director of EMI (Hong Kong) and will continue to control EMI (Thailand) and deputise for Mr. Brown. Mr. John Forrest, who was EMI's resident director in Iran, is to be managing director of EMI (Singapore) Pte.

★

Mr. J. J. Nelson has been appointed to the Board of BROADSTONE INVESTMENT TRUST.

★

Mr. Brian Rowntree has been appointed managing director of A P BANK, in which capacity he will also be chief executive. He will take up his new position in October, following his resignation as managing director of Bank Julius Baer International. A P Bank is a subsidiary of the Norwich Union Life Insurance Society. Mr. Peter Bunce has relinquished his post as general manager of A P Bank to devote more time to his other business interests, but will continue as a director of the bank.

★

INTERNATIONAL COMPUTERS is to re-organise its Americas operations from October 1 when the tour assignments of Mr. R. J. Taylor, vice-president, Americas operations, and Mr. G. D. Rowett, president of U.S.A. Inc., marketing division, come to an end. They will then take up senior appointments with ICL in the UK. Mr. R. A. Bright will become vice-president, Americas operations, and Mr. W. W. Ford moves to the new position of general manager, Latin American operations and OEM sales.

★

Mr. Jeff Clew has been appointed editorial director of the HAYNES PUBLISHING GROUP.

Mr. Robert Vincent deputy managing director of YARDLEY, is resigning from the end of August to become deputy managing director of MAX FACTOR.

★

Mr. Roy Burford has been appointed managing director of Glover Plastics and Glover Tools (Mossley), members of the Caper-Neill group.

★

The Secretary for the Environment has appointed two additional outside members to the ENVIRONMENTAL BOARD. They are Mr. F. E. Cleary, chairman of Haslemere Estates and Mr. D. Sugden, designer and engineer.

★

Mr. Richard Doncaster, chairman of DANIEL DONCASTER AND SONS, is to retire on February 28, 1979. He will be succeeded by Mr. Anthony Shadforth, chairman of the parent company, Inco Europe. Mr. L. D. Balchin, now Doncaster group director, operations, becomes group managing director on October 1 this year.

★

The MINISTRY OF DEFENCE has made the following appointments: Brigadier H. S. Dalzell-Payne to be General Officer Commanding 3 Armoured Division in November 1978 in the rank of major-general in succession to Major-General M. J. H. Walsh. Brigadier J. M. Palmer to be Director Royal Armoured Corps from that date in the rank of major-general in place of Major-General P. D. Reid.

★

Captain A. J. Whetstone has been appointed Flag Officer Sea Training, ROYAL NAVY, with the acting rank of Rear Admiral, in succession to Rear Admiral G. I. Pritchard, from November, 1978. Captain Whetstone will be promoted to the substantive rank of Rear Admiral in January, 1979.

HOME CONTRACTS

Services at Glasgow Airport

Valued at £300,000, a contract for air conditioning, ventilation, hot and cold water, and other services, to be installed at Glasgow Airport terminal building, has been awarded to HUMPHREYS & GLASGOW SERVICES by Fairclough Building for the British Airports Authority. Work has started and should be completed by February 1979.

★

ROBERT WATSON & CO. has received three contracts from the Co-operative Wholesale Society, totalling almost £350,000, for the supply and erection of structural steelwork for a warehouse and several stores.

★

Eight multi-section display units, costing £16,000, are being built by LEABANK FINISHING for the Ecology Exhibition—Phase I, to be staged by the British Museum of Natural History.

★

SHANKS and McEWAN has been awarded a £219,000 contract by the Department of Transport to re-align 800 yards of the A43 trunk road in Northants.

Helicopter service for Motor Show

COVENTRY AIRPORT has arranged a helicopter shuttle service to and from the National Exhibition Centre for the duration of the International Motor Show.

The service will operate at frequent intervals, flying from the airport's apron into the grounds of the centre. The journey takes only seven minutes and will cost approximately £15 per person each way, although it will be cheaper if all of the helicopter's four seats are booked in advance.

The airport is 10 miles from the exhibition centre.

Holiday trains for Midlands

BRITISH RAIL is putting on more than 125 extra trains for *Midland Region travellers over* the late summer Bank Holiday. Almost 100 of them will be excursions to popular inland and coastal resorts. The other trains will supplement regular services on Inter-City routes.

The region's Inter-City services *over the holiday will be:* Friday, August 25—normal service with some extra trains; Saturday—normal Saturday service with some extra trains; Sunday—Sunday service, but some late afternoon and evening trains will not operate; Monday—Reduced Monday service with relief trains in the late afternoon and evening on some routes; Tuesday—normal service with some extra trains.

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the *Share Information Service* yesterday attained new Highs and Lows for 1978.

NEW HIGHS (155)

BRITISH FUNDS (1)
COM'WEALTH & AFRICAN LOANS (1)
LOANS (1)
FOREIGN BONDS (1)
AMERICANS (2)
CANADIANS (1)
BANKS (3)
BEERS (8)
BUILDINGS (16)
CHEMICALS (3)
DRAPERY & STORES (10)
ELECTRICALS (2)
ENGINEERING (15)
FOODS (2)
INDUSTRIALS (27)
NEWSPAPERS (3)
PAPER & PRINTING (3)
PROPERTY (6)
SHIPPING (1)
SHOES (2)
TEXTILES (3)
TRUSTS (18)
OILS (1)
OVERSEAS TRADERS (1)
RUBBERS (1)
MINES (21)

NEW LOWS (2)

PROPERTY (1)
Nolton
TEAS (1)
Moran

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	18	49	11
Corpns. Dominion and Foreign Bonds	4	3	57
Industrials	217	382	939
Financial and Prop.	57	177	276
Oils	7	15	13
Plantations	6	6	19
Mines	43	44	21
Recent Issues	1	6	40
Totals	353	702	1,376

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
99	F.P.	4/8	81	71	Cartiers Superfoods	78	......	b2.41	3.1	4.7	7.0
‥	F.P.	—	12½	8	Emray	10½	......	—	—	—	—
100	F.P.	6/7	152	142	Eurotherm	151	......	b2.64	5.0	2.2	17.2
85	F.P.	24/8	94	88	Hunting Petr. Services	93	−1	4.65	3.0	7.6	6.5
115	F.P.	8/9	148	138	Jones (E.) (Jew'lrs)10p	147	......	b6.5	2.1	5.6	12.7

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or −
‥	F.P.	1/9	[illegible]	[illegible]	Airflow Streamlines 10% Prf.	95p	......
‥	F.P.	18/8	95p	91p	Allied Retailers 9% Pref.	95p	+1
£99.4	F.P.	—	[illegible]	98	Birmingham Var Rate 83-85	99¼	......
‥	F.P.	8/9	98½	96	Caffyns 10% Pref.	98½p	......
£99½	F.P.	—	100	99¾	Camden Var. Rate Red. 1983	100	......
£100	£10	15/12	11½	10¼	Do. 12¼% Red. 1983	11¼	......
‥	F.P.	15/9	98	96	Central & Sheerwood 10% Pref.	97	......
‥	F.P.	29/9	98	96	Crosby Spring Interiors 10% Pref.	98	......
‥	F.P.	[illegible]	98¾	96	East Anglia Water 7% Red. Pref. 1983	98	......
100p	F.P.	16/8	104p	101p	Ecclesiastical Ins. Office 10% Red 2nd Cum Pref.	104p	......
[illegible]	F.P.	25/8	105¼	99½	Fairview Est. 10.25% Deb.	99½	......
‥	F.P.	29/9	99	98¼	G. R. Holdings 10½% Prf.	98½p	−½
‥	F.P.	18/8	105p	103p	Henderson Kenton 10% Cum. Pref.	105p	......
£96	F.P.	15/12	[illegible]	[illegible]	Jennings Princes 10% Cum. Pref.	98½p	......
‥	F.P.	—	92½p	[illegible]	Marchwiel 9% Pref.	92½p	......
‥	F.P.	—	88	85	Moolaya 12% Partly Conv. Uns. Ln. '96-'98	85	......
‥	F.P.	9/8	[illegible]	[illegible]	More O'Ferrall 10% 2nd Cum. Pref.	94½p	......
£100	F.P.	—	[illegible]	[illegible]	Northampton Var. Rate Red. 1983	99	......
‥	F.P.	1/9	103p	[illegible]	Peters 10% Pref.	103p	......
£100p	F.P.	—	100p	99½p	Pitman 10% Cum. Pref.	99½p	......
‥	F.P.	15/9	[illegible]	[illegible]	Roberts 9½% Cum. Pref.	95	......
‥	F.P.	15/9	99	[illegible]	Sotheby Parke Bernet 9% Cum. Pref.	98	−1
£99½	F.P.	—	100	[illegible]	Sefton Var. Rate Red. 1983	99½	......
£98½	£45	20/10	44¾	43	Southend-on-Sea 12% Red. 1987	44½	......
£98¼	F.P.	—	99¾	[illegible]	Wandsworth Variable 1983	99¾	......
£98½	£25	15/9	25¼	23	West Kent Water 12% Deb. 1986	24½	......
‥	F.P.	1/9	96p	94p	Young & Co. Brewery 9% Pref.	95p	......

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p:	+ or −
50	Nil	30/8 24/11	21pm	17pm	Blackwood Hodge	19pm	......
28	F.P.	18/7 10/8	49	31½	Brooke Tool Eng.	48	−1
15	F.P.	26/7 18/8	20	16½	Dartmouth Invs.	24½	......
14½	F.P.	26/7 16/8	19½	16½	Elswick-Hopper	18½	......
36	F.P.	2/8 1/9	58	46	Hemlam [illegible] & Coggins	58	......
72	F.P.	4/8 1/9	96	86	L.C.P.	95	−1
70	F.P.	10/8 21/9	95	79	Leeds (Wm.)	93	......
[illegible]	F.P.	3/8 1/9	[illegible]	45	Norton (W. E.)	46	......
94	Nil	21/8 4/10	15pm	10pm	Property Partnerships	15pm	......
30	F.P.	28/7 [illegible]	[illegible]	[illegible]	Sutcliffe Speakman	69	......
110	F.P.	14/8 8/9	159	134	[illegible]	158	−1
100	Nil	25/8 22/9	20pm	19pm	Williams & [illegible]	20pm	......
64	Nil	18/8 15/9	15pm	12pm	Yorkshire Chemicals	12pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. q Gross. t Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Minimum tender price. ‖‖ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Aug. 15, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.) (Corp. Tax 52%)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net) (Corp. Tax 52%)	Mon. Aug. 14 Index No.	Fri. Aug. 11 Index No.	Thurs. Aug. 10 Index No.	Wed. Aug. 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (170)	242.23	−0.2	15.54	5.08	8.71	242.66	242.49	242.27	240.98	197.25
2	Building Materials (27)	222.04	−0.1	15.62	5.02	9.05	222.18	222.03	220.77	218.97	169.29
3	Contracting, Construction (27)	396.96	+1.2	17.52	3.74	8.31	392.27	388.25	387.02	385.74	277.68
4	Electricals (14)	522.87	−0.7	12.63	3.54	10.13	526.40	526.19	525.65	520.53	406.78
5	Engineering Contractors (14)	350.92	−0.7	17.10	5.90	7.79	353.33	353.10	354.56	353.62	292.24
6	Mechanical Engineering (72)	192.95	−0.1	16.96	5.62	7.90	193.14	193.27	193.03	192.40	170.07
8	Metals and Metal Forming (16)	176.96	−0.4	15.92	7.98	8.55	177.67	178.24	179.46	179.58	159.03
	CONSUMER GOODS										
11	(DURABLE) (52)	219.83	−0.5	15.76	4.77	8.84	220.92	220.30	218.46	218.16	190.93
12	Lt. Electronics, Radio TV (15)	267.75	−0.9	13.90	3.81	10.06	270.06	268.71	266.19	265.06	227.65
13	Household Goods (12)	189.07	—	15.68	5.99	8.77	189.08	188.68	188.07	185.52	167.83
14	Motors and Distributors (25)	133.21	—	18.80	6.05	7.39	133.22	133.30	132.25	133.06	118.42
	CONSUMER GOODS										
21	(NON-DURABLE) (175)	220.57	−0.4	14.76	5.46	9.15	221.55	222.33	221.71	221.53	183.48
22	Breweries (14)	237.26	−0.8	14.63	5.91	9.40	239.06	239.31	239.31	237.68	193.44
23	Wines and Spirits (6)	283.73	−0.5	15.16	5.10	9.98	285.18	284.54	282.89	283.97	223.31
24	Entertainment, Catering (17)	271.15	−0.2	14.57	6.40	10.01	271.73	273.33	274.12	272.70	229.63
25	Food Manufacturing (21)	215.72	−0.2	17.51	5.13	7.55	216.25	215.08	214.41	212.30	184.21
26	Food Retailing (15)	227.86	−0.6	13.34	4.53	10.40	229.32	234.18	232.69	233.16	194.37
32	Newspapers, Publishing (13)	397.21	+0.3	10.23	3.18	13.96	395.87	396.35	396.34	399.97	312.53
33	Packaging and Paper (15)	146.99	−1.7	17.70	7.21	7.43	149.54	150.69	151.12	149.98	130.34
34	Stores (40)	209.07	−0.3	10.29	4.31	14.28	209.65	210.77	209.30	210.98	169.08
35	Textiles (25)	183.91	−0.8	17.67	7.53	7.39	185.45	185.61	184.09	185.40	164.73
36	Tobaccos (3)	259.53	−0.2	21.21	7.23	5.58	260.11	261.49	262.60	260.56	218.21
37	Toys and Games (6)	121.18	−0.7	18.73	5.27	6.37	122.07	121.67	121.96	120.06	107.11
41	OTHER GROUPS (99)	213.77	−0.4	15.12	5.46	8.66	214.55	215.14	215.81	215.37	192.63
42	Chemicals (19)	299.95	−0.3	16.73	5.97	8.13	300.80	301.32	301.05	301.51	266.64
43	Pharmaceutical Products (7)	278.65	−0.1	10.37	3.68	11.99	278.86	278.85	279.73	280.38	0.00
44	Office Equipment (6)	137.02	−1.1	17.48	5.55	6.77	138.55	139.92	142.32	140.50	117.86
45	Shipping (10)	429.04	−0.8	16.85	7.14	7.31	432.66	436.83	434.78	433.57	512.90
46	Miscellaneous (56)	230.77	−0.4	15.72	5.75	8.47	231.70	232.35	233.68	232.26	192.88
49	INDUSTRIAL GROUP (495)	231.60	−0.4	15.11	5.32	8.89	232.44	232.86	232.56	232.03	196.37
51	Oils (5)	497.30	−0.4	14.83	3.97	7.31	499.29	502.66	497.20	500.17	517.92
59	500 SHARE INDEX	254.08	−0.4	15.07	5.13	8.63	255.02	255.66	254.98	254.70	222.46
61	FINANCIAL GROUP (100)	176.87	−0.7	—	5.45	—	178.12	178.73	178.54	179.39	147.28
62	Banks (6)	195.87	−1.1	23.87	5.97	6.29	197.98	199.18	198.51	197.68	158.26
63	Discount Houses (10)	223.13	—	—	7.75	—	223.06	222.82	223.88	222.84	191.00
64	Hire Purchase (5)	166.82	+1.0	11.84	4.94	12.50	165.19	166.92	168.73	168.73	143.71
65	Insurance (Life) (10)	151.31	−1.1	—	6.02	—	152.98	154.11	154.67	157.59	113.99
66	Insurance (Composite) (7)	137.13	−0.5	—	6.29	—	137.88	137.96	137.11	140.36	122.28
67	Insurance Brokers (10)	363.09	−2.3	12.96	4.32	11.05	371.54	372.27	370.81	367.86	332.53
68	Merchant Banks (14)	84.45	−0.4	—	5.80	—	84.76	85.18	86.42	85.43	70.98
69	Property (31)	258.21	—	2.80	2.91	69.90	258.18	258.44	258.61	259.89	204.16
70	Miscellaneous (7)	114.20	+0.5	22.13	7.32	5.85	113.58	113.78	114.79	109.81	94.37
71	Investment Trusts (50)	240.88	−0.7	2.89	4.28	34.59	242.47	242.68	243.92	241.53	174.96
81	Mining Finance (4)	110.88	−1.2	15.91	6.27	7.65	112.26	110.76	108.34	109.41	96.03
91	Overseas Traders (19)	325.42	—	16.63	6.89	7.48	325.44	323.97	323.41	320.91	280.02
99	ALL-SHARE INDEX (673)	234.46	−0.4	—	5.20	—	235.51	236.02	235.46	235.34	201.77

FIXED INTEREST PRICE INDICES

	British Government	Tues. Aug. 15	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	105.34	+0.00	—	6.04
2	5-15 years	115.96	+0.14	—	7.04
3	Over 15 years	122.21	+0.14	—	8.67
4	Irredeemables	129.05	+0.31	—	7.24
5	All stocks	113.91	+0.09	—	7.21

FIXED INTEREST YIELDS *Br. Govt. Av. Gross Red.*

			Tues. Aug. 15	Mon. Aug. 14	Year ago (approx.)
1	Low Coupons	5 years	8.66	8.66	7.11
2		15 years	10.74	10.76	11.11
3		25 years	11.46	11.48	11.87
4	Medium Coupons	5 years	11.35	11.36	10.16
5		15 years	11.97	11.99	11.97
6		25 years	11.99	12.01	12.40
7	High Coupons	5 years	11.37	11.34	10.41
8		15 years	12.44	12.45	13.15
9		25 years	12.68	12.70	13.14
10	Irredeemables		11.50	11.54	11.82

		Tues. Aug. 15 Index No.	Tues. Aug. 15 Yield %	Mon. Aug. 14	Friday Aug. 11	Thurs. Aug. 10	Wed. Aug. 9	Tues. Aug. 8	Mon. Aug. 7	Friday Aug. 4	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	57.33	†12.94	57.30	57.26	57.26	57.24	57.26	57.30	57.34	55.27
16	Investment Trust Prefs. (15)	51.57	13.45	51.57	51.57	51.57	51.66	51.66	51.66	51.61	50.81
17	Coml. and Indl. Prefs. (20)	70.49	12.36	70.47	70.47	70.19	70.19	70.19	70.04	70.00	69.02

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

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OFFSHORE AND OVERSEAS FUNDS

INSURANCE AND PROPERTY BONDS

Equitas Secs. Ltd. (a) (g)
1 Bishopsgate, EC2 01-588 2851
Progressive .... 72.7 78.8 -0.4 3.77

Equity & Law Un. Tr. M.♥ (a)(b)(c)(z)
Amersham Rd., High Wycombe 0494 33377
Equity & Law .... 72.1 75.9 -0.2 3.42

Do. Accum.	94.6	97.1	-0.1	2.16
International	50.7	54.8	-0.4	2.16
Do. Accum.	55.0	58.6	-0.4	2.16
High Yield	66.4	70.7	-0.1	7.72
Do. Accum.	70.4	75.0	-0.1	7.72
Equity Exempt*	106.1	112.0		5.69
Do. Accum.*	106.1	112.0		5.69

*Prices at July 31. Next dealing August 21.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.
Index Guide as at August 15, 1978 (Base 100 at 14.1.77)
Clive Fixed Interest Capital 132.07
Clive Fixed Interest Income 114.65

CORAL INDEX: Close 511-516

INSURANCE BASE RATES
†Property Growth 10¼%
†Vanbrugh Guaranteed 8.87%
†Address shown under Insurance and Property Bond Table.

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$312.95	.....	2.30
Jardine Fpn. Fd.*	HK$387.81	.....	0.90
Jardine S.E.A.	US$18.02	.....	1.70
Jardine Flem. Int.	HK$11.40	.....	—
Intl. Pac Secs (Inc.)	HK$13.45	.....	—
Do. (Accum.)	HK$13.59	.....	—

NAV July 31. *Equivalent US$83.20. Next sub. August 15.

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier Jsy. CI 0534 73741

CMF Ltd. July 27	$US12.80	13.19	.....	—
CMT Ltd. July 27	£13.20	13.55	.....	—
Metals Tst. July 20	£11.89	12.16	.....	—
TMT August 11	$US11.30	11.58	.....	—
TMT Ltd. Aug. 11	£11.40	11.69	.....	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg.
Worldwide Gth Fd | $US16.72 | ..... | —

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ‡ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

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BRITISH FUNDS

1978 High	Low	Stock	£	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99 5/8	98 5/8	Exch. 5pc '76-78‡‡	99 15/16	+1/32	5.02	8.67
105 1/8	101 1/4	Treasury 11 1/2pc '79‡‡	101 3/4xd	......	11.30	8.38
97	94 3/4	Treasury 3pc '79‡‡	95 7/8xd	–1/8	3.13	7.02
97 3/4	95 1/2	Electric 4 1/4pc '74-79	96	–1/16	4.43	8.05
104 1/4	99 7/8	Treasury 10 1/2pc '79‡‡	100 15/16	+1/16	10.40	9.68
96 1/2	94 3/4	Electric 3 1/2pc '76-79	95 11/16	......	3.66	7.14
103 1/2	96 3/8	Treasury 9pc 1980‡‡	99 1/8xd	–1/16	9.08	9.67
102 1/16	97 1/8	Treasury 9 1/2pc '80‡‡	99	–1/16	9.59	10.10
95 1/2	92 1/2	Treasury 3 1/2pc '77-80	94 1/8	–1/16	3.72	6.96
96 1/2	93 1/4	Funding 5 1/4pc '78-80‡‡	94 1/8	–1/16	5.58	8.78
110 1/4	103 1/16	Exchequer 13pc 1980‡‡	104 5/16	–1/8	12.46	10.75
106 1/4	99 11/16	Treasury 11 1/2pc 1981‡‡	101 3/8	–1/8	11.34	10.80
91 5/8	88 1/4	Treasury 3 1/2pc 1979-81	90 1/8	–1/8	3.88	7.92
101 1/4	95 5/8	Treasury 9 3/4pc 1981‡‡	97 1/4	–1/16	10.03	10.96
97 3/16	91 7/8	Exch. 8 1/4pc 1981	94 1/4	–1/16	8.75	10.64
100 1/4	94 1/4	Exch. 9 1/2pc 1981	96 7/16	–1/8	9.85	10.93
87 1/2	85 5/8	Exch. 3pc 1981	86 1/4xd	......	3.48	8.25
97 1/16	95 11/16	Treas. Variable '81‡‡	95 11/16	......	9.83	10.17
111	102 5/8	Exch. 12 1/4pc 1981‡‡	104 3/16	–1/8	12.22	11.09
99 1/2	91 1/2	Treas 8 1/2pc '80-82‡‡	93 11/16	......	9.06	10.69
85 1/8	82 1/2	Treasury 3pc '82‡‡	85	–1/8	3.53	7.99
115 7/8	106 1/4	Treasury 14pc '82‡‡	108 1/4xd	–1/8	12.92	11.18
96 1/2	94 5/8	Treas. Variable '82‡‡	94 11/16	......	9.93	11.12
96 1/8	89 5/8	Treasury 8 1/4pc '82	92	......	8.96	10.81
100 1/4	91 1/8	Exch. 9 1/4pc 1982	93 3/8	+1/8	9.91	11.29
99 1/4	91 1/8	Exch. 9 1/4pc 1982 A	93 3/8	+1/16	9.91	11.31
96 11/16	89 1/2	Exch. 8 3/4pc 1983	91 3/8	–1/16	9.58	11.27
85 1/4	79 5/8	Exch 3pc '83	81 5/8xd	......	3.68	7.91
114 1/4	100 1/2	Treasury 12pc 1983‡‡	102 1/2xd	–1/8	11.71	11.32
100 1/2	89 5/8	Treasury 9 1/4pc '83	92 3/16	–1/16	10.03	11.36
		Five to Fifteen Years				
95 1/16	93	Exch. 10pc 1983a	95	+1/8	10.62	11.50
89 5/8	80 3/4	Funding 5 1/2pc '82-84‡‡	83 5/8	+1/8	6.62	9.55
96 7/8	86 1/8	Treasury 8 1/2pc '84-86‡‡	89 1/4	+1/8	9.62	10.71
87 5/8	77 1/4	Funding 6 1/2pc '85-87‡‡	80 3/4	+1/8	8.24	10.22
89 5/8	79 7/8	Treasury 7 3/4pc '85-88‡‡	82	+1/8	9.50	10.92
68 5/8	60 1/8	Transport 3pc '78-88	64 7/8	+1/8	4.65	8.35
75 5/8	64 1/4	Treasury 5pc '86-89	68 5/8	+1/8	7.47	9.97
115 1/4	101 5/8	Treasury 13pc 1990‡‡	106 1/2	+1/8	12.34	12.10
89 1/2	77 1/2	Treasury 8 1/4 87 90‡‡	81 7/8	+1/8	10.25	11.27
106 1/2	92 1/2	Treasury 11 3/4pc 1991	98 1/4	+1/8	12.11	12.20
75 1/2	63 1/8	Funding 5 3/4pc '87-91‡‡	68	+1/8	8.73	10.74
112 1/2	98 1/2	Treasury 12 3/4pc '92‡‡	103 1/2	+1/8	12.42	12.33
96 1/2	64 1/8	Treasury 10pc 1992	86 5/8xd	+1/8	11.53	12.00
113	97 1/4	Exch. 12 1/4pc '92	99 1/4xd	+1/8	12.31	12.32
		Over Fifteen Years				
110 5/8	96 1/8	Treasury 12 1/2pc '93‡‡	101 7/8	+1/8	12.41	12.38
72 1/8	60 3/4	Funding 6pc 1993‡‡	62 5/8xd	+1/8	9.50	11.10
120 1/4	104 1/2	Treasury 13 3/4pc 1993‡‡	111	+1/8	12.76	12.57
128 7/8	110 3/4	Treasury 14 1/2pc '94‡‡	112 5/8xd	+1/8	12.80	12.55
114 1/8	97 3/4	Exch. 12 1/2pc 1994	100 1/8xd	+1/8	11.30	11.84
89 7/8	76 1/4	Treasury 9pc '94‡‡	81 7/8	+1/8	11.32	11.85
106 1/4	93	Treasury 12pc '95	98 1/8	+1/8	12.32	12.36
51 7/8	43 1/8	Gas 3pc '90-95	46 5/8	+1/8	6.59	9.62
95	82 3/4	Exch. 10 1/4pc 1995	87 1/8	+1/8	11.86	12.16
114 1/2	98 5/8	Treasury 12 3/4pc '95‡‡	105 1/4	+1/8	12.50	12.45
90 1/2	76 1/2	Treasury 9pc '92-96‡‡	78xd	+1/8	11.43	11.93
131 1/2	114 1/2	Treasury 15 1/4pc '96‡‡	121 1/4	+1/8	12.99	12.74
117 5/8	101 5/8	Exchequer 13 1/4pc '96‡‡	108 1/2	+1/8	12.60	12.51
50	42 1/4	Redemption 3pc 1986-96	45 1/4	+1/8	6.80	9.53
115 1/4	100 7/8	Treasury 13 1/4pc '97‡‡	106	+1/8	12.61	12.52
98 1/2	85	Exchequer 10 1/2pc 1997	87xd	+1/8	12.05	12.27
88 1/4	74 3/4	Treasury 8 3/4pc 1997‡‡	75 5/8xd	+1/8	11.51	11.98

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INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
24	17	Antofagasta Rly.	24	......	—	—
40	33	Do 5pc Pref.	40	......	—	—
98	98	Chilean Mixed	98	......	—	£3.18
415	350	German Yng. 4 1/2pc.	411	......	4 1/2	—
54	46	Greek 7pc Ass.	54	......	3 1/2	£6.68
51	46	Do 6pc '28 Stab. Ass.	51	......	6	£5.88
44	40	Do 4pc Mixed Ass.	43	......	4	£4.65

BONDS & RAILS—Cont.

1978 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
55	42	Hung. '24 Ass.	55	......	4 1/2	5.06
77	65	Iceland 6 1/2pc '83-88	66	......	—	12.70
88	82 1/2	Ireland 7 1/2pc '81-83	83	–3/4	7 1/2	12.42
91	79	Do 9 3/4pc '91-96	79 1/4xd	+1/4	9 3/4	12.63
425	265	Japan 4pc '10 Ass.	425	+8	—	—
87	68 1/2	Do 6pc '83-88	71	......	6	10.65
160	140	Peru Ass. 3pc	140	......	3	2.17
75p	75p	S.G.I. 6 1/2pc 1980	75p	......	6 1/2	8.67
$99	$94 1/2	Turin 9pc 1991	$94 1/2	......	9	9.52
DM91	DM81	Turin 6 1/2pc 1984	DM91	......	6 1/2	8.80
97	94	Uruguay 3 1/2pc	97	......	3 1/2	3.60

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

1978 High	Low	Stock	£	+ or –	Div. Gross	C'vr	Y'ld Gr's
21 3/4	13 1/2	ASA	21 3/4	+1/2	80c	—	2.0
60 1/2	60 1/2	AMF 5% Conv. '87	60 1/2	......	5%	—	—
32 5/8	22	Amax $1	32 1/4xd	–3/8	$1.75	—	3.1
50 7/8	21 3/4	American Express	30 1/2	–3/8	$1.40	—	2.6
24 1/4	11	Amer. Medic. Int.	22 3/4	+1/2	30c	—	0.8
15 5/8	969p	Asarco Inc.	12 1/2	......	40c	—	1.8
29 3/4	18 3/4	Baker Intnl. Corp. $1	27xd	–1/2	64c	—	1.3

S.E. List Premium 54 1/4% (based on US$1.9880 per £)

CANADIANS

S.E. List Premium 54 1/4% (based on 2.2875 per £)

BANKS AND HIRE PURCHASE

1978 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
255	195	Gillett Bros. £1	230xd	......	15.41	—	10.0	—
29	19	Goode D't Mry. 5p	25	......	0.13	—	0.8	—
137	96	Grindlays	137	+1	2.79	7.1	3.0	4.9
260	185	Guinness Peat	246	......	†10.15	—	6.2	—
217	155	Hambros	184	......	9.76	—	7.9	—
100	81	Hill Samuel	98	......	4.97	—	7.6	—
600	325	Do. Warrants	388	......	—	—	—	—
360	203	Hong Shng. $2.50	351	......	hQ59c	—	2.0	—
69	52	Jessel Toynbee	64	......	h3.32	—	7.7	—
215	160	Joseph (Leo) £1	210	......	8.74	—	6.2	—
52	37	Keyser Ullmann	48	–1	0.67	—	2.1	—

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SECURITIES

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CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
210	156	Falcon Rh.50c	180	.....	Q50c	1.3	23.7
24	15	Rhod'n Corp. 16½p.	19	.....	0.57	7.1	4.5
80	52	Roan Cons. K4	75	.....	—	—	—
184	122	Tanganyika 50p	164	+3	Q10.0	1.2	5.4
90	78	Do. Pref. 80p	87	.....	Q9%	16.3	8.3
41	32	Wankie Col. Rh.1	38	+½	†Q7½c	1.4	16.8
17½	10	Zam.Cpr.SBD0.24	17	.....	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
15	10	Acmex 25c	13	.....	—	—	—
140	64	Bougainville 50Toea	140	+2	Q8c	1.4	3.6
125	63	BH South 50c	118	.....	—	—	—
920	150	Central Pacific	625	.....	—	—	—
294	148	Conzinc Riotinto 50c	294	+8	Q10c	2.2	2.1
72	45	G.M. Kalgoorlie $1	70	+3	—	—	—
62	18	Haoma Gold N.L.	60	+4	—	—	—
140	81	Hampton Areas 5p	132	.....	13.55	2.0	4.0
40	10	Metals Ex. 50c	27	−2	—	—	—
222	125	M.I.M. Hldgs. 50c	222	+6	Q9c	1.7	2.5
39	10	Mount Lyell 25c	31	+3	—	—	—
6½	1½	Newmetal 10c	4½	.....	—	—	—
143	79	North B. Hill 50c	132	+3	Q8c	1.5	3.7
16½	8½	Nth. Kalgurli	15½	−½	—	—	—
48	12	Nth West Mining	42	−2	—	—	—
178	117	Oakbridge $A1	176	.....	†Q11c	1.9	3.9
70	30	Pacific Copper	63	−5	—	—	—
£15½	750	Pancont 25c	£14¼	−½	—	—	—
40	12	Parinnga M&Ex.5p	27	.....	—	—	—
554	310	Peko-Wallsend 50c	552	+8	Q15c	4.0	1.7
300	50	Southern Pacific	235	.....	—	—	—
160	84	Westn. Mining 50c	146	−1	Q3c	ϕ	‡
70	35	Whim Creek 20c	45	.....	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
30	23	Amal. Nigeria	23	.....	2.55	1.6	16.6
415	240	Ayer Hitam $M1	415	+20	[illegible]	0.9	‡
60	45	Beralt Tin	58	.....	3.81	4.4	10.2
305	200	Berjuntai $M1	305	.....	Q110c	ϕ	7.8
145	111	Geevor	135xd	+5	0.04	ϕ	5.6
10½	8½	Gold & Base 12½p	10½	.....	—	—	—
310	220	Gopeng Cons.	310	+15	15.23	0.9	7.4
210	130	Hongkong	210	.....	—	—	—
93	78	Idris 10p	88	.....	‡12.0	1.6	‡
11	9	Jantar 12½p	9	.....	—	—	—
82	68	Kamunting $M0.50	82	.....	2Q15.5c	0.7	4.1
625	450	Killinghall	625	.....	Q125	ϕ	20.0
470	280	Malay Dredging $M1	470	+15	†Q95c	0.8	4.3
78	40	ΔPahang	78	+1	‡Q3.75c	0.5	‡
62	50	Pengkalen 10p	62	+2	6.60	1.3	15.9
270	165	Petaling $M1	270	+5	†Q80c	1.6	6.8
63	49	Saint Piran	63	+3	g2.02	4.6	4.8
61	47	South Crofty 10p	58	+2	4.19	2.0	10.8
240	140	South Kinta $M0.50	240	+5	†Q77.8c	1.4	7.0
340	230	Sthn Malayan $M1	340	+5	†Q131.3c	1.1	8.3
240	134	Sungei Besi $M1	240	+5	Q65c	ϕ	5.8
85	55	Supreme Corp $M1	85	.....	ZQ10c	—	2.5
100	85	Tanjong 15p	90	.....	6.60	0.8	10.9
100	74	Tongkah Hrbr. $M1	90	.....	[illegible]	1.6	‡
255	148	Tronoh $M1	255	.....	ZQ88c	1.6	7.4

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
104	70	Messina R0.50	103	−1	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
61	35	Barymin	53½	.....	—	—	—
17	9	Burma Mines 17½p.	13	.....	—	—	—
300	215	Cons. Murch. 10c	270	−5	‡Q30c	2.6	‡
465	245	Northgate C$1	385	.....	—	—	—
248	164	R.T.Z.	248	.....	9.5	2.8	5.7
90	30	Sabina Inds. C$1	62	.....	—	—	—
£12	750	Tara Expln. $1	900	−12	—	—	—
67	43	Tehidy Minerals 10p	66	−1	ϕ2.35	ϕ	3.1
180	120	Yukon Cons. C$1	180	+2	Q7c	2.9	1.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend: cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ● Excluding a final dividend declaration.
- ☆ Regional price.
- || No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 24

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London are as quoted on the Irish exchange.

[illegible]

IRISH

[illegible]

OPTIONS

3-month Call Rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report page

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FINANCIAL TIMES

Wednesday August 16 1978

CUBITTS
MASTER BUILDERS
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Post Office engineers to lift sanctions

BY NICK GARNETT, LABOUR STAFF

THE Post Office Engineering Union instructed its members yesterday to suspend their most disruptive sanctions from 8 am today following a provisional agreement on settling the engineers' dispute.

International calls, which have been severely crippled by the engineers' industrial action, are likely to return to normal in a matter of days from some exchanges though the position will vary especially if engineers at some exchanges refuse to lift the sanctions.

Difficulties in making international calls did not worsen noticeably yesterday but part of the inland service, including STD calls in to West and North London, was disrupted.

The provisional agreement on shorter working hours reached by the union's executive following talks with Post Office management yesterday, will be put to a special delegate conference within a month.

In the meantime, the union's refusal to commission new exchanges will continue. All other sanctions, including the work to rule, local overtime bans, and the refusal to work rotas at international exchanges which has disrupted calls abroad, are being suspended.

The union's executive hopes that the provisional agreement to end the 11-month dispute will be accepted by the special conference, although there is certain to be considerable opposition to the deal from many of the 125,000 engineers.

Based on the proposals drawn up by Lord McCarthy, the industrial relations expert, the agreement would reduce the engineers' working week from 40 hours to 37½ hours from December 1.

The Post Office has made a proviso that all sanctions must be lifted by September 12.

The cost of the reduction would be covered by productivity changes involving altered working times and other measures. The scheme would be monitored and failure to meet agreed work and cost targets would be taken into account in fixing payments made under the engineers' existing productivity arrangements.

Statements from both sides said, there would be no loss of service to the public and, where possible, an improvement, no increase in overtime or manpower above planned levels and no loss of output per man averaged over all grades of worker.

Some of the union's members will be concerned not only at changed shifts but also at the union's failure to obtain commitments from the Post Office on a 35-hour week, which has been the engineers' claim.

The union said last night that the 37½ hours was the first stage towards 35 hours to which the executive is committed.

The Post Office said it recognised the union's right to submit a further claim on hours at an appropriate time but this did not imply any advance commitment.

Lloyds appointment signals new drive in merchant banking

BY DAVID FREUD

LLOYDS BANK is planning to move further into merchant banking in the UK.

It announced the appointment yesterday of Mr. David Horne, a former director of the leading merchant bank S. G. Warburg, to build a new corporate finance advisory service.

Lloyds' strategy for capturing merchant banking business contrasts with that adopted by the other main clearing banks, who have either bought existing merchant banks or developed separate entities from scratch.

Mr. Horne is to join the Board of Lloyds Bank International on October 1 as an executive director. He will work closely with the international section's merchant banking division, which was formed a year ago, and with Lloyds Bank, the home banking arm of the group.

His advisory responsibilities cover public flotations, takeovers, mergers and capital structures. He expects to build up a staff of between 10 and 20.

Lloyds said that the creation of the new department would fill the only gap in its provision of banking services.

Mr. Norman Jones, deputy chief executive of the group, said it was not considered necessary to create a separate merchant bank because this would duplicate many of the services already provided.

Lloyds was the last of the clearers to enter the merchant banking field and it had watched the experience of the other banks closely.

"We have been looking for the right structure for more than the past couple of years and we feel we have found the right package."

Last year it appeared that some large banks were having difficulty in retaining senior merchant banking executives within their operating framework.

Mr. David Horne

Mr. Charles Ball, who had been brought in a year before to spearhead the expansion of Barclay's merchant banking business, resigned last autumn. Shortly afterwards Mr. Ansell Egerton left Standard Chatered's new merchant bank.

For the past eight years Mr. Horne has been on the Board of Williams and Glyn's Bank, developing its corporate finance activities, so he has considerable experience of operating within a clearing bank.

He said yesterday he regarded it as essential that he was attached to the international arm of hte Lloyds group, rather than the clearing bank direcly. "I think one has got to be divorced from clearing banks."

Weather

UK TODAY

CLOUDY, some heavy showers.

London, S.E. England, E. Anglia, Cent. S. England, E. and W. Midlands, E. and Cent. N. England

Rather cloudy, showers heavy at times. Max. 19C to 20C (66F to 68F).

Channel Is., S.W. England, S. Wales

Showers, heavy in places. Max. 19C (66F).

N. Wales, N.W. England, Lake Dist., Isle of Man, S.W. Scotland, Glasgow and N. Ireland

Rather cloudy, frequent showers. Max. 16C or 17C (61F to 63F).

Outlook: Cloud and rain spreading to most parts.

Long-range forecast: Further cool and changeable spells to mid-September, but a good deal of settled weather on way, said Meteorological office.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Alexandria	S	29	84	Luxembrg.	F	23	73
Amstrdm	S	25	77	Madrid	S	32	90
Athens	S	29	84	Manchstr	S	17	63
Bahrain	S	35	95	Melborne	R	10	50
Barcelona	F	26	79	Mexico C.	S	21	70
Beirut	S	29	84	Milan	S	24	75
Belfast	C	14	57	Montreal	C	27	81
Belgrade	S	26	79	Moscow	C	14	57
Berlin	F	25	77	Munich	S	25	77
Birmghm	C	19	66	Newcastle	R	15	59
Bristol	F	19	66	New York	C	30	86
Brussels	S	25	77	Oslo	R	15	59
Budapest	S	24	75	Paris	F	25	77
B. Aires	S	16	61	Perth	S	22	72
Cairo	S	32	90	Prague	S	24	75
Cardiff	F	16	61	Reykjavik	C	12	54
Chicago	C	26	79	Rio de J'o	R	19	66
Cologne	F	25	77	Rome	F	26	79
Copnhgn	S	21	70	Singapore	C	25	77
Dublin	R	15	59	Stockholm	C	16	61
Edinbrgh	R	15	59	Strasbourg	F	26	79
Frankfurt	S	27	81	Sydney	S	15	59
Geneva	F	23	73	Tehran	S	32	90
Glasgow	R	15	59	Tel Aviv	C	30	86
Helsinki	F	15	59	Tokyo	C	34	93
H. Kong	S	27	81	Toronto	C	26	79
Jo'burg	S	24	75	Vienna	S	25	77
Lisbon	S	24	75	Warsaw	F	22	72
London	F	20	68	Zurich	F	23	73

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	27	81	Istanbul	C	22	72
Algiers	S	32	90	Jersey	F	18	64
Biarritz	C	19	66	Las Palms	F	23	73
Blackpool	F	17	63	Locarno	S	23	73
Bordeaux	C	22	72	Majorca	F	32	90
Boulogne	C	16	61	Malaga	S	30	86
Casablnca	C	23	73	Malta	S	27	81
Cape Tn.	C	15	59	Nairobi	C	19	66
Corfu	S	28	82	Naples	F	26	79
Dubrovnik	S	30	86	Nice	F	25	77
Faro	S	25	77	Oporto	F	23	73
Florence	S	26	79	Rhodes	S	27	81
Funchal	F	23	73	Salzburg	S	26	79
Gibraltar	S	26	79	Tenerife	S	21	70
Guernsey	S	17	63	Tunis	F	31	88
Innsbruck	S	25	77	Valencia	F	29	84
Inverness	F	17	63	Venice	S	23	73
Is. of Man	F	15	59				

C—Clouds. F—Fair. S—Sunny. R—Rain.

Hattersley puts options to footwear retailers

By David Churchill, Consumer Affairs Correspondent

THE GOVERNMENT yesterday offered footwear retailers the choice of cutting profit margins by at least two per cent or agreeing to help reduce shoe imports, protect jobs and improve service to the consumer.

It is the first time Mr. Roy Hattersley, Prices Secretary, has publicly offered a company or industry the option of helping the consumer and the economy as an alternative to straight forward price restraint. Such bargaining is usually conducted in private between Mr. Hattersley and representatives of the company or industry concerned after a Price Commission report. The resulting agreement is then announced publicly.

In this case, however, such agreement could not be reached on the Price Commission's report last June mainly because so many retailers were involved. The British Shoe Corporation has about a fifth of the market and the remaining retailers all have less than 5 per cent each.

Deadline

Mr. Hattersley has therefore given the retailers until the end of the month to announce their decision.

Even if they accept Mr. Hattersley's alternative they will still have to limit gross profit margins in the current year to the 1977 level. The Price Commission's report found that profit margins were an average of 47 per cent for the industry, a high level derived from the need to keep large stocks and cover risks in shoe fashion.

Companies that fail to make an undertaking to Mr. Hattersley will be ordered to reduce gross margins to the level achieved in 1975 or to 2 per cent below the 1977 margins, which ever was greater.

Last night the British Shoe Corporation and other retailers, led by John Timpson, said they would give the undertaking before the end of the month.

Timpsons and other retailers had pressed Mr. Hattersley to offer an alternative to margin restriction because the UK footwear industry was facing rising costs and cheap imports.

Buy British

The retailers have agreed to attempt to buy British where possible but there is no question of import controls against cheaper foreign shoes.

Although the retailers have agreed to improve service to the public, they have a two-year-old code of practice, which the Office of Fair Trading wants tightened up. Complaints have increased in spite of the code, and not all companies have observed it.

The third element of the undertaking, to protect jobs, still allows retailers to close uneconomic shops although they have to consult the unions involved.

Continued from Page 1

Australia

orarily — going to the Government. Until now, about 70 per cent of locally produced crude has been sold to refineries at less than world prices and the move will add substantially to the cost of petrol for most motorists.

The Treasurer called on the Conciliation and Arbitration Commission, in determining minimum wage levels, to discount the increases in the consumer price index which the petrol levy and tax rises are expected to produce.

Future old-age pension increases will be subject to a means test and unemployment benefits will in future be automatically indexed only for recipients with dependents, the budget proposed.

The estimated budget deficit for 1978-79 is A$2.8bn, A$521m less than the figure for the 1977-1978 financial year. Mr. Howard said the estimated domestic deficit was A$782m. Estimated outlays totalled A$28.87bn, which was 7.7 per cent more than in the previous year. Receipts rose by 11 per cent over 1977-78.

Accompanying budget papers showed the Government forecast assumed continued moderate growth in economic activity and in most of Australia's export markets, and an improvement in Australia's relative inflation performance. A continued programme of Government borrowing overseas was expected broadly to maintain reserves.

British Relay forms Viewdata division

BRITISH RELAY, the TV rental company, has formed a division to design, manufacture and supply Viewdata systems for the business and domestic markets.

Viewdata, now being marketed by the Post Office under the name of Prestel, is a system which offers viewers a range of computer-stored information on a modified television screen.

SEARCH FOR OIL AND GAS

Occidental deal with Moroccans

BY KEVIN DONE, ENERGY CORRESPONDENT

OCCIDENTAL PETROLEUM of the U.S. has entered into a preliminary agreement with the Moroccan Government for the exploitation of shale oil, exploration both onshore and offshore for oil and gas and the manufacture of phosphoric acid.

This is the latest in a series of agreements engineered by Dr. Armand Hammer, 80-year-old chairman of Occidental, for the exploitation of natural resources in various producer countries. Other deals in recent years have covered the USSR, Poland and Romania.

Negotiations with Morocco are still at an early stage but Dr. Hammer said yesterday that he hoped to sign a definitive agreement covering terms and conditions for the deal by November 1.

Morocco's approach to Occidental appears to have been triggered by the leading role the company has taken in the development of technology for exploiting shale oil reserves in the U.S. as well as by the company's proven expertise in phosphoric acid technology.

Dr. Hammer said in London yesterday that the company was considering an investment of some $600m in shale oil in the U.S. over six years. It has already spent $60m on researching recovery techniques, but it has yet to show whether oil can be recovered economically from shale at present world prices.

Shale oil exists in solid form and the process that Occidental is developing involves heating the rock to a temperature of about 900 degrees Fahrenheit which liquefies the oil and allows it to be pumped out.

Dr. Hammer said that Morocco could have shale oil reserves running to several hundred billion barrels. The Moroccan Government has said the oil is located in two fields in the south.

Both lie about 60 miles from the Atlantic coast, the first 20 miles south of Marrakesh and the second about 60 miles north of the border with Spanish Sahara.

Occidental's wish to explore for oil and gas by conventional means is based on recent seismic work undertaken by the Moroccan Government in the north of the country in the area lying between Tangiers and the Algerian border. Earlier exploration by international oil companies has failed to make any commercial discoveries.

The interest in phosphoric acid stems from Morocco having about 70 per cent of the world's reserves of phosphate rock. Occidental is already involved in a big swap deal with the USSR in which over a period of 20 years it is exchanging large quantities of superphosphoric acid—based on rock mined in Florida—for Russian ammonia. Morocco could allow the company both to broaden its supply base and exploit new licensing opportunities.

Men and Matters, Page 14

Bibby Line considers offer to delay debts

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

BIBBY LINE, the Liverpool-based bulk shipping company, is considering an offer from the Government for a three-year moratorium on its debts with UK shipyards.

This offer, the first made under a scheme announced in May by Mr. Edmuwnd Dell, Trade Secretary, should be followed shortly by similar propositions to the other three tramp shipowners who have so far applied for aid.

Bibby Line would not comment on the details of the offer yesterday.

The principal area of difficulty surrounds Bibby's debts with foreign shipyards. The Government has to take these into account in permitting a moratorium in order to satisfy the scheme's condition that—with the aid of loan rescheduling—the shipowner has reasonable prospects of financial viability.

The company's biggest single problem involves just such a foreign debt. The £32m gas carrier Staffordshire was delivered from France at the end of last year, but is laid up because of chronic over-capacity in the gas shipping market.

Together with the domestic debt, Bibby could be faced with repayments of about £14m this year and will have to assure the Government that its position with the French shipyards will not jeopardise the reserve plan.

There is great interest in the outcome of the negotiation within the shipping industry. A number of leading UK owners have argued that the moratorium scheme's guidelines are so rigid as to make them useless.

Bibby Line lost £4.9m pre-tax last year, following a £5.3m profit in 1976. Although it had a positive operational cash flow of £4.1m, a £10.8m outflow on loan repayments meant that only rescheduling of debt could avert a financial crisis.

Union leaders urge Government role in Peugeot-Citroen

BY ALAN PIKE AND JOHN ELLIOTT

MINISTERS ARE being urged by union leaders to ensure that the Government establishes a direct involvement in the affairs of Peugeot-Citroen if the company succeeds in taking over Chrysler's European operations.

The executive of the Amalgamated Union of Engineering Workers—one of the two biggest car industry unions — yesterday decided to write to Mr. Eric Varley, Industry Secretary, urging him to make this a firm point in forthcoming talks with the company.

Senior executives of Peugeot-Citroen are expected to arrive in London during the next day or two to start what could be a lengthy series of talks with Mr. Varley and his senior civil servants.

Efforts are being made by the Government to keep the arrangements for these talks, and for meetings with other interested parties, as secret as possible.

Function

This is because it is likely to be several weeks before final decisions are made. Ministers are therefore unlikely to want to make any statements for at least a fortnight.

Mr. Hugh Scanlon, the AUEW president, said after yesterday's meeting of his executive that the union would favour Government involvement in Peugeot-Citroen on the same basis as the existing arrangements with Chrysler UK.

A "whole pile" of taxpayers' money had been invested in Chrysler and the Government's financial involvement should be reflected in a degree of control in a company taking it over.

The AUEW believes that a government-nominated director, or someone fulfiling a similar function, would be essential to protect both the State investment and future job prospects in the British Chrysler factories if the Peugeot-Citroen deal went ahead.

The idea may find support from other unions and is likely to be raised again by the AUEW at an international union conference to discuss the Chrysler situation which is being arranged by the International Metalworkers' Federation in Geneva on August 30.

This meeting will also be used by British union leaders to gain more information from French colleagues about Peugeot-Citroen, a company of which they have little direct experience.

Yesterday the AUEW executive decided to send Mr. Terry Duffy, president-elect, and Mr. Gavin Laird, Scottish executive member, to the Geneva talks.

Research officers from all nine unions with members at Chrysler UK will meet today at the Transport and General Workers' Union headquarters in London to begin drawing up an assessment of the likely effects of a Peugeot-Citroen takeover of the company. This is almost certainly the first time that a group of unions has undertaken a joint research exercise on such a scale.

One particular area of concern in the minds of union leaders is over the position of British component manufacturers if the deal goes ahead.

They fear that long-term rationalisation could lead to Peugeot-Citroen concentrating on Continental sources for parts, with a consequent threat to jobs in the British components industry.

However, the threat ot jobs in UK component factories may not be as great as some unions fear.

This is because of the dual-sourcing of components arranged in recent years by major car manufacturers to protect themselves from the impact of suppliers' strikes, and the fact that major UK component companies such as Lucas and GKN already have factories in France and other parts of Europe.

News Analysis, Page 6

Continued from Page 1

Dollar stages modest rally

firmer grip on money supply growth.

The U.S. inflation rate and the lack of a credible political response is widely held here to be the basis of the dollar's weakness. "The foreign exchange markets are signalling that U.S. econmic policies are inflationary and excessive," said Mr. Lawrence Kudlow, a Paine Webber vice-president.

Against this background there is even greater than usual interest in the next meeting of the Fed's open market committee which wil lset the central bank's stratgy on interest rates for the next four weeks.

Although economists acknowledge that recent money supply figures could be used to maintain present rates, most believe that the Fed should at least raise the discount rate on loans to member banks.

At 7½ per cent is substantially below most other short-term money market rates and an increase, it is argued, would be of some psychological benefit to the foreign exchange markets.

Dr. Leonard Santow, economist at J. Henry Schroeder Bank and Trust Company argued that a slip in the credibility of Mr. G. William Miller, the Fed chairman, was also a factor in the dollar's recent decline.

Mr. Miller's public fears of damaging the economy by too sharp an increase in interest rates is said to have raised fears abroad that cutting the inflation rate had been reduced in priority.

Some economists believe that the central banks of Japan, West Germany and the UK are curbing their intervention on behalf of the dollar so as not to threaten control of their own domestic money supplies.

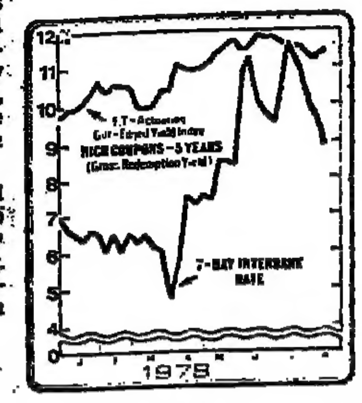
THE LEX COLUMN

Happy landings for Hawker

In the four weeks since the last banking make-up day the seven day interbank rate has fallen from 11 per cent to just under 9 per cent. So thanks partly to releases of special deposits the shortages are working their way out of the money market. But the clearing banks, in particular, still face an acute problem in wriggling into the corset.

Meanwhile the latest National Institute review continues to forecast double figure monetary growth and inflation next year. But the DCE estimate for 1978-1979 has been cut from £7.9bn to £6.9bn.

Index fell 2.3 to 511.2



Hawker Siddeley

The terms of Hawker Siddeley's payment for the nationalisation of its aerospace interests re-emphasise the madness of the Government's compensation formula. They are significantly better than most City analysts had been expecting: on top of loan repayments of £48.7m already announced, Hawker is getting £60m for its shares in the aerospace companies. Including interest and dividends received since 1974, the whole package works out at about £120m.

This looks a very nice price for a business which has produced after tax profits of between £9m and £14m in recent years, and has an uncertain medium-term future. Aerospace companies, after all, usually get a below average rating on the stock market.

Compensation is supposed to be based on the market value of the relevant securities during the six months to February 1974. During that period, the Hawker Siddeley group as a whole was valued at about £150m., and aerospace accounted for under half its profits. We shall never know how the compensation terms were actually reached since, as is the way of things in the UK, all the negotiations are on a confidential basis. But it seems clear that the balance sheet structure of the aerospace subsidiaries played an important part.

In normal circumstances, a parent company can either let a wholly owned subsidiary retain its profits, or it can take them out in the form of dividends and finance the business through loans. There is little practical distinction here between debt and equity. Hawker's aerospace companies used to have large accumulated reserves, but in recent years over £70m was paid out in dividends to the parent, which largely replaced these funds with loans.

The bulk of these loans have been repaid in full and compensation on the equity has not—as the City had feared—visibly suffered as a result of this restructuring. The upshot is that Hawker takes a book profit of over £34m, which pushes its net worth (including deferred tax) up towards £400m.

The share price implications are not all that dramatic for Hawker—£60m represents about 30p a share. The more interesting speculation concerns Vickers where a strict application of the formula could value BAC at noticeably less than these terms for the Hawker companies which are much smaller. Can this really be contemplated?

Australian budget

Yesterday's Australian budget was as hard hitting as expected. The man in the street will pay more for his beer, spirits, cigarettes and petrol. He will lose all but a basic benefit under the revised national health scheme and will pay more income tax.

But for the investor looking at Australia the proposals include no nasty shocks; they are, indeed, designed to encourage capital inflows. Against a background of monetary stringency the lure comprises a 5 per cent inflation rate by this time next year, lower interest rates and a real growth in non-farm gross domestic product of 4 per cent. An undisguised objective is to encourage a growth of profits at the expense of real wages.

Australian share prices have already risen strongly in the months prior to the budget. In the event the only serious setback for the mining sector is the decision to delay abolition of the coal export levy until June 30, 1979, while considerable encouragement is being given to local secondary industry. What may restrain the enthusiasm of British companies with operations in Australia, however, is the risk that domestic demand will be excessively damped down by the tax burden, with Australian businessmen as well as trade union leaders expressing some concern. The government is relying on a fall in savings to keep demand growing.

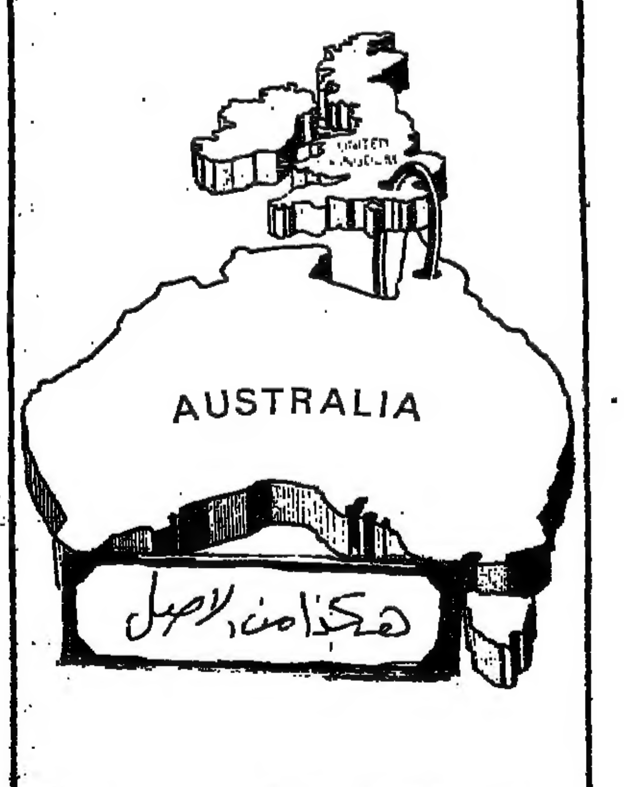
Akzo

If Akzo's second quarter figures are any guide the European chemical industry seems to be over the worst. After three years of losses, Akzo has made a modest profit in the March-June period and although it might dip back into the red in the seasonally weak third quarter, the odds are that the group will make a profit for the year as a whole.

Akzo finally seems to have got to grips with its lossmaking fibres operation. Over the last three years this lost Fl 577m ($270m) but in the second quarter it made a Fl 12m profit. In terms of return on sales this is equivalent to 1.3 per cent—a far cry from the 9 per cent plus being earned in the early 1970's but at least it is moving in the right direction.

Alcan (UK)

There is a minor scare for shareholders in the recently listed Alcan (UK) with pre-tax profits in the first half dropping from £14.7m to £5.1m. So shareholders who converted their loan stock on the promise of a 9.9p net dividend for 1978 "barring unforeseen circumstances" now see annualised first half earnings running at only 10p a share. But in fact they have already been warned of a poor start to the year, wheras in the second quarter volume was 14 per cent up on the first three months. With consumer industries continuing to revive the second half should be quite strong. Nevertheless the company is complaining at the way a weak dollar is dragging down aluminium prices in Europe.



The vital link

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